Philip Morris Incorporated Annual Report 1970

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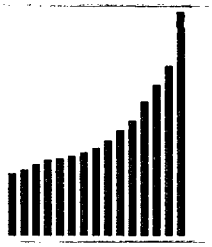

Cover: Our cover, composed of embossed Philip Morris crests, graphically illustrates the growth of operating revenues over the past 15 years. In 1956, operating revenues totaled $410 million; in 1970, they were $1,510 million.

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Philip Morris Incorporated Annual Report 1970

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Financial Highlights	1970	1969	1968
Operating Revenues	**$1,509,540,000**	$1,142,373,000	$1,019,846,000
Net Earnings	**77,498,000**	58,340,000	48,866,000
Per Share of Common Stock:			
Net Earnings—Primary	**$3.36**	$2.58	$2.18
Dividends Declared	**1.05**	.98	.85
Percent Increase over Prior Year:			
Operating Revenues	**32.1%**	12.0%	12.7%
Net Earnings	**32.8%**	19.4%	12.1%
Net Earnings per Common Share	**30.2%**	18.3%	10.7%
Number of Common Shares:			
Weighted Average Outstanding during the Year	**22,806,598**	22,269,461	21,928,890
Actual Outstanding at End of Year	**24,158,840**	22,565,334	22,200,308
Number of Employees	**27,566**	27,064	19,066
Operating Companies Revenues:			
Philip Morris U.S.A.	**$ 920,323,000**	$ 800,949,000	$ 724,570,000
Philip Morris International	**424,800,000**	256,769,000	211,702,000
Philip Morris Industrial	**85,875,000**	84,655,000	83,574,000
Miller Brewing Company(1)	**78,542,000**	—	—
Consolidated Operating Revenues	**$1,509,540,000**	$1,142,373,000	$1,019,846,000
Operating Companies Income:(2)			
Philip Morris U.S.A.	**$ 138,051,000**	$ 106,435,000	$ 87,954,000
Philip Morris International	**54,167,000**	38,717,000	31,391,000
Philip Morris Industrial	**6,049,000**	5,392,000	6,814,000
Miller Brewing Company(1)	**4,913,000**	2,693,000	—
Consolidated Operating Income(2)	**$ 203,180,000**	$ 153,237,000	$ 126,159,000

(1) Miller operating revenues only from August 1, 1970. Philip Morris Equity of 53% in Miller net income in period 7/1/69-7/31/70 and 100% of Miller operating income thereafter.

(2) Corporate expense, interest, other items and income taxes, which are not directly attributable to the operating companies, are not allocated since any allocation thereof would be arbitrary.

The notes to consolidated financial statements should be read in conjunction with the above data.

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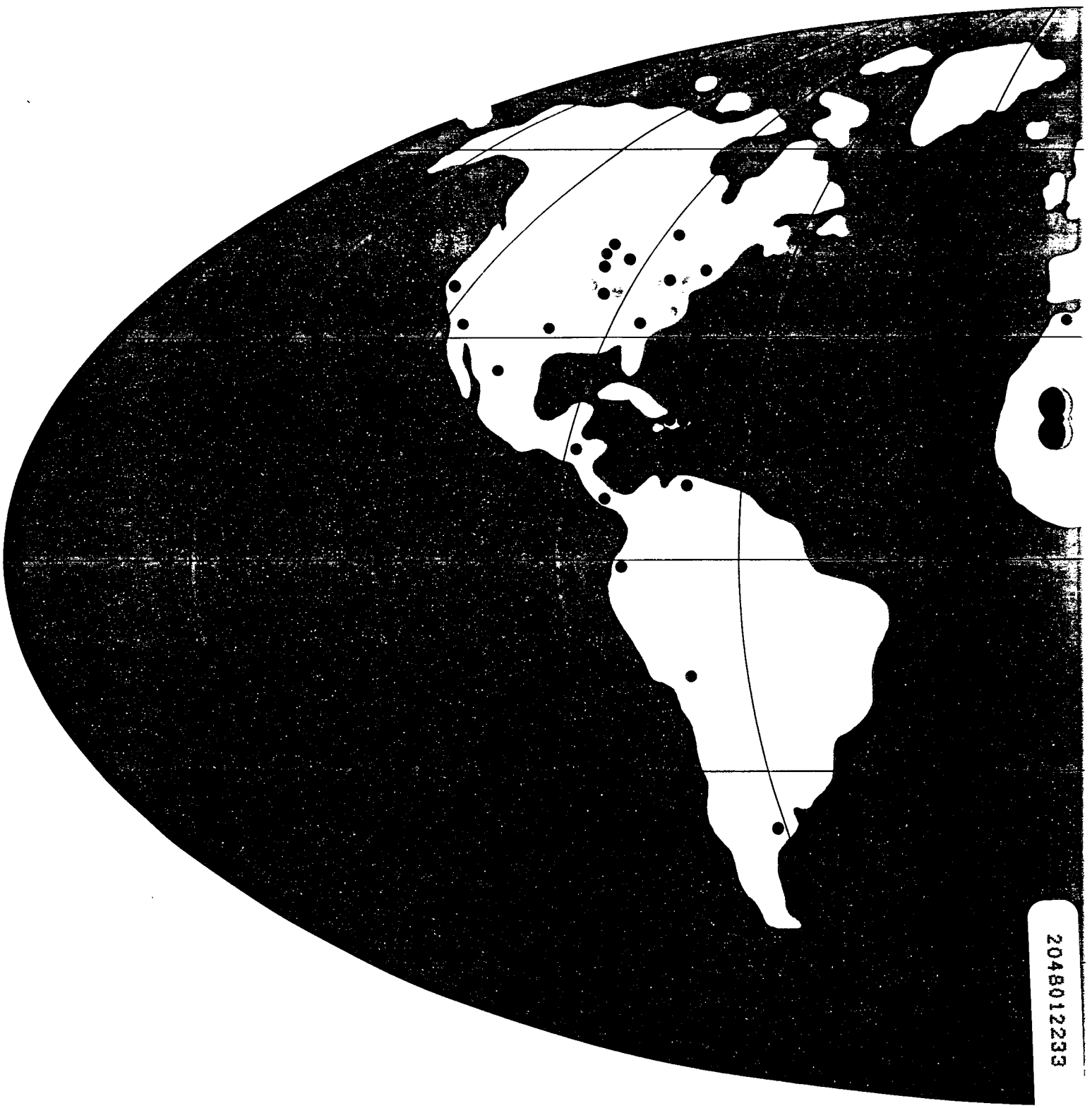
Major Locations of Philip Morris Incorporated Operating Companies

Philip Morris U.S.A.
Hoboken, New Jersey
Louisville, Kentucky
New York, New York
Richmond, Virginia
Shippenville, Pennsylvania
St. Louis, Missouri
Staunton, Virginia

● Philip Morris International

Affiliates
Argentina
Australia
Belgium
Canada
Dominican Republic
Ecuador
Germany
Guatemala
Holland
India
Malaysia
Mexico
New Zealand
Nigeria
Puerto Rico
Sweden



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Switzerland
United Kingdom
Venezuela

Associated Company
Pakistan

Licensees
Austria
Bolivia
Finland

Hong Kong
Italy
Morocco
Netherlands Antilles

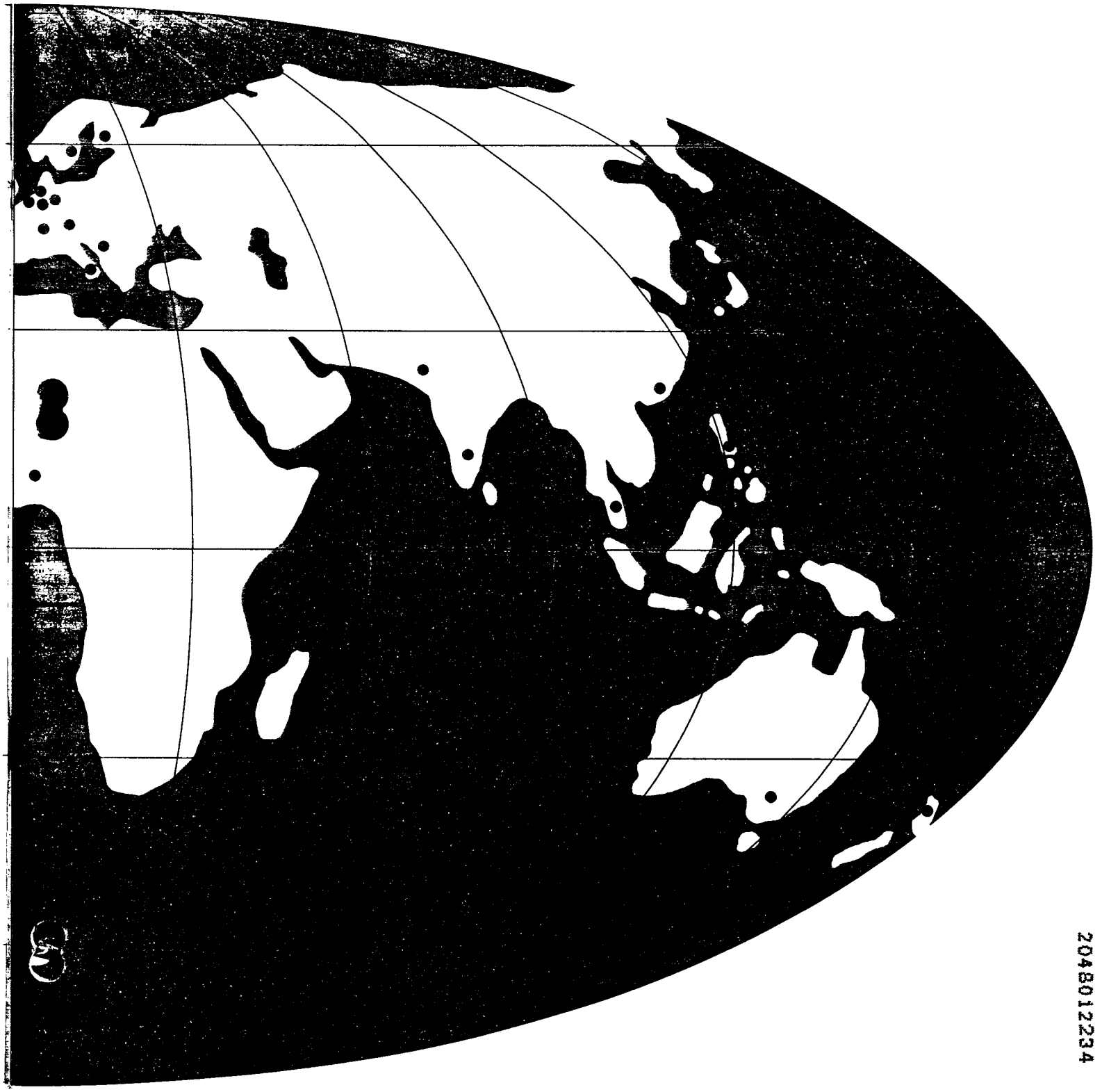
Panama
The Philippines
Yugoslavia

- **Miller Brewing Company**
  Azusa, California
  Fort Worth, Texas
  Milwaukee, Wisconsin

- **Philip Morris Industrial**
  Belgium
  De Pere, Wisconsin

Downingtown, Pennsylvania
Evansville, Indiana
Greenville, South Carolina

Milwaukee, Wisconsin
Plainwell, Michigan
San Francisco, California
Stamford, Connecticut



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For the seventeenth consecutive year your company maintained its forward momentum as it again reached new highs in operating revenues and profits for 1970.

Consolidated operating revenues for 1970 of $1,509,540,000 and net earnings of $77,498,000 represented increases of 32.1% and 32.8%, respectively, over the 1969 results. Earnings per share were $3.36, up 30.2% in 1970 over the $2.58 achieved in 1969. The quarterly dividend on the common stock was increased at the November Board meeting from $.25 to $.30 per share. 1970 marked the 43rd consecutive year that the company has paid dividends on its common stock.

The keystone of our operations is still the tobacco business in the United States and worldwide, with Marlboro clearly the fastest-growing major brand on a world basis, and the flagship of our tobacco brand structure. While we have continued to expand our diversified base, we have great confidence in the future of the tobacco business.

Within the next five years, we are projecting capital expenditures of more than $250 million for new and enlarged cigarette production facilities both in the United States and worldwide. These will include the world's largest and most modern cigarette factory and an addition to our research facilities both of which are in Richmond, Virginia.

Your company has long been dedicated to the philosophy that modern and efficient manufacturing facilities are required not only to meet the growing demand for our products at home and abroad but also to assure that these products will be produced with the highest possible quality and at the lowest possible cost.

Despite attacks upon it from various governmental and other sources, the cigarette industry shows remarkable strength and vitality. In the United States, the industry, after experiencing small declines in unit sales in both 1968 and 1969, reversed the trend in 1970 with a unit sales gain of approximately 1.5%. We feel this reversal is particularly encouraging in view of the anti-cigarette propaganda and rising retail prices, due mainly to state tax increases.

Against this background, Philip Morris U.S.A. made a remarkable showing by increasing total unit sales more than 11%, with Marlboro highlighting the advance with a 16.4% unit sales gain over the 1969 level. Our other major brands, Benson & Hedges 100's, Parliament, Virginia Slims, and Multifilter performed well during the year, and the Parliament Charcoal 100's was successfully introduced. We are fortunate to have such a strong lineup of cigarette brands covering most major segments of the marketplace. The record operating income of Philip Morris U.S.A. reflects not only the growth in cigarette volume but also the recent manufacturers' price increases, plus continued progress in manufacturing efficiencies.

In the international cigarette market, which is approximately triple the size of the United States market, sales are estimated to have increased 4%. Philip Morris International unit sales were up more than 18% over the 1969 level, equaling our unit sales in the United States. Our total unit sales worldwide now position your company as the third largest publicly-held cigarette manufacturer in the world.

Our affiliates abroad now manufacture in Argentina, Australia, Belgium, Canada, Dominican Republic, Guatemala, Holland, India, Mexico, Nigeria, Switzerland, the United Kingdom, Venezuela, and Pakistan. We have licensing agreements in Austria, Bolivia, Finland, Hong Kong, Italy, Morocco, Netherlands Antilles, Panama, the Philippines, and Yugoslavia. Through local manufacture and export, we supply over 150 countries and territories of the world.

While our worldwide tobacco business continued to improve, we were fortunate to be able to increase our commitment to the brewing industry in 1970. Thus, Philip Morris acquired the remaining 47% of the stock of the Miller Brewing Company of Milwaukee, Wisconsin.

Chairman Joseph F. Cullman, 3rd

We also made our first move in the international beer market last spring when our affiliate, Benson & Hedges (Canada) Ltd., purchased the Formosa Spring Brewery in Ontario.

Despite the aftereffects of the 5½-week strike in 1969, scattered trucking strikes in the spring of 1970 against distributors, and a decline in overseas military sales, the Miller Brewing Company increased overall sales volume in barrels and dollars. Operating profits were off due to higher manufacturing costs and higher promotional expenditures. Miller High Life, which is believed to be the nation's sixth largest-selling beer brand and one of the three nationally distributed premium beers, continues to show strength in major population centers. We are planning new and aggressive marketing programs and have confidence in the future growth of Miller, best illustrated by our plans for expanding its brewing capacity.

In another non-tobacco business, Philip Morris Industrial showed an increase in sales and profits in 1970. The performance was particularly encouraging in view of the depressed economic conditions that adversely affected the operating results of most companies in the paper and packaging industries.

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As we reported last year, your company made an investment in and obtained operating control of Mission Viejo Company, a major new town and home development company in Orange County, California. In view of the depressed economy in Southern California and the high cost and difficulty of obtaining mortgage money, the company had a relatively good year. We are optimistic at this time of its potential, especially in view of the very large need for housing units in the coming years.

The question of smoking and health obviously commanded a great deal of attention from the industry. On April 1, 1970, the "Public Health Cigarette Smoking Act of 1969" was signed into law; its purpose is to inform the public that cigarettes may be hazardous to their health. This act banned cigarette advertising on radio and television after January 1, 1971, and prescribed a new revised caution notice on cigarette packages.

The ban on radio and television cigarette advertising went into effect as this letter is being written. Obviously, it is too early to determine its immediate effects on our business. However, our experience in selling cigarettes in the United States before the advent of television, and the important market penetration we have been able to make in many international markets without the use of electronic media, leaves us optimistic about our ability to continue to market our products successfully in the United States.

In another interaction with the government, eight cigarette manufacturers volunteered to disclose "tar" and nicotine figures in advertising. Following discussions with The Tobacco Institute, the Federal Trade Commission has accepted the industry's proposal and the "tar" and nicotine information will appear soon in our advertisements. In volunteering this action, the manufacturers disclaimed any assumptions as to any significance of "tar" and nicotine in relation to the health question.

Another area of activity was in connection with the Federal Communications Commission. In 1967, the FCC ruled that cigarette smoking was a controversial subject, hence broadcasters were obligated to devote without charge a portion of their time to anti-cigarette commercials. In the last year alone, it is estimated that $75 million worth of these anti-cigarette messages were broadcast free. When faced with cigarette commercials going off the air, the FCC issued on December 15, 1970, a new ruling that the broadcasters no longer have a definite obligation to carry free anti-smoking messages but are expected to do so in the time they devote to matters of public concern. At the same time, the FCC ruling indicates that broadcasters are now free to decide whether the issue of smoking and health is no longer controversial and whether they should allow the industry to answer attacks upon it. Philip Morris and other tobacco manufacturers are appealing in the Federal Court stating that any broadcaster who presents anti-cigarette material has a clear obligation to present the contrary point of view.

Once again, the popular press created headlines of revisions of old statistical material, restated with more dire warnings than scientific substance. Our position remains the same—more and better research is needed to answer the questions that have been raised by statistical associations that themselves are wide open to questioning.

To this end, the tobacco industry is spending more money than the combined forces of all the voluntary health agencies on research in smoking and health through The Council for Tobacco Research —USA and the American Medical Association's Education and Research Foundation.

In this area, a newsworthy attempt was made by the American Cancer Society to publicize an experiment which allegedly demonstrated that 12 beagles, exposed to cigarette smoke forced through holes cut into their windpipes, developed lung cancer of the type encountered in humans.

Your Chairman, as Chairman of the Executive Committee of The Tobacco Institute, challenged the American Cancer Society to make the laboratory data available for evaluation by an impartial panel of experts. The Cancer Society refused to do so and, at a news conference in New York on April 30, 1970, our challenge to the Cancer Society was made public. The position of The Tobacco Institute in regard to this matter was supported editorially by a number of important newspapers, including *The New York Times*

Articles describing the study were submitted for publication to two prominent medical journals both of which rejected them. The *Journal of the American Medical Association* declined to publish the article after it was reviewed by 18 independent authorities.

Although the article has now been published in a minor publication in revised form without claiming that the beagles contracted lung cancer from smoking cigarettes, we believe that through our efforts we have demonstrated that the study is of no real significance as was originally claimed by the American Cancer Society and, further, that often the scientific information which is relied on to indict cigarette smoking is of dubious validity.

Obviously, the smoking and health controversy is one that will continue until many major scientific questions are answered. As time progresses and the charges against our industry remain unproved, our long-range position should improve, and we are confident that this whole question will be viewed in better perspective in the future. However, because we are serious and responsible people, we welcome all serious and responsible opportunities to cooperate with the government and other agencies in the field of smoking and health. We would like to recall that we cooperated with the

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Federal Trade Commission in setting up its "tar" and nicotine testing laboratories. In fact, they are using smoking machines developed by Philip Morris. Your Chairman first volunteered, on behalf of the industry, to take television and radio commercials off the air. The tobacco industry volunteered to put "tar" and nicotine values in advertising.

Perhaps the greatest area of response has been in the changes we as an industry have made in our products. Filter cigarettes today account for 80% of the industry's output. In the 16 years since the smoking and health controversy began, the industry has markedly reduced the "tar" and nicotine deliveries of cigarettes. Our computations indicate that the "tar" delivery of the average cigarette has been reduced by approximately 46% and the nicotine delivery by 47% during this period.

Our responsibility has not been confined to health alone. Over the years, we have discontinued all campus promotional activities and advertising in college newspapers. We have discontinued the use in advertising of celebrities and sporting figures, and the use of testimonials by them. We volunteered to go off the air, which was a very big move, in an attempt to clear the air.

President George Weissman

In addition, in the environmental field, your company has made notable progress in anticipating and meeting public needs as well as governmental standards throughout our corporate facilities. More than $5 million of the expenditures planned for our new cigarette factory in Richmond are devoted to the elimination of industrial pollution.

In other matters of public concern, your company has achieved notable gains in minority employment, increased its participation in aid to education and cultural activities, and devoted considerable funds and manpower to meet the urban crisis.

While we are proud of the efforts and progress we have made in all these areas, we are also cognizant of the magnitude of the tasks ahead and our responsibility to do our part.

No accounting of the past year could be accurate without a strong tribute to the more than 27,000 employees who are part of the Philip Morris family throughout the world. Once again, their skills, devotion, and loyalty have produced the quality products that are a reflection of the quality of our personnel.

Respectfully submitted on behalf of the Board of Directors,

Joseph F. Cullman, 3rd
Chairman of the Board and Chief Executive Officer

George Weissman
President and Chief Operating Officer

March 1, 1971

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Rétrospective de l'Année

Pour la dix-septième année consécutive votre compagnie a continué sa progression; en effet, son chiffre d'affaires et ses bénéfices ont atteint de nouveaux records en 1970.

En 1970, le chiffre d'affaires consolidé se monte à $1.509.540.000 et les bénéfices nets à $77.498.000, ce qui représente des augmentations de 32,1% et de 32,8% par rapport aux résultats de 1969. En 1970, les bénéfices par action ont atteint $3,36, soit 30,2% de plus qu'en 1969, année au cours de laquelle ils avaient atteint $2.58. Lors de sa session du mois de novembre, le Conseil d'Administration a porté de $0.25 à $0.30 le dividende trimestriel pour les actions ordinaires. L'année 1970 a marqué la 43ème année consécutive pendant laquelle la compagnie a payé des dividendes aux porteurs de ses actions ordinaires.

Le tabac demeure la clé de voûte de notre exploitation, aussi bien aux Etats-Unis que dans le reste du monde; Marlboro est, sans doute, celle des grandes marques mondiales qui réalise les progrès les plus rapides, et qui nous sert de porte-drapeau. Tout en poursuivant nos efforts de diversification, nous avons grande confiance en l'avenir de l'industrie du tabac.

Au cours des cinq prochaines années, nous projetons d'investir plus de 250 millions de dollars pour construire de nouvelles usines ou agrandir nos installations de production de cigarettes, aussi bien aux Etats-Unis que dans le reste du monde. En particulier, nous construirons à Richmond, dans l'Etat de Virginie, la fabrique de cigarettes la plus importante et la plus moderne du monde et agrandirons, dans cette même ville, nos laboratoires de recherches.

Votre compagnie est acquise depuis longtemps au principe qu'il faut des installations modernes et efficaces, non seulement pour répondre à la demande croissante de nos produits aux Etats-Unis et à l'étranger, mais aussi, s'assurer qu'ils seront de la meilleure qualité possible et produits au coût le plus bas.

Malgré les attaques dont elle fait l'objet de la part de divers gouvernements et autres sources, l'industrie de la cigarette fait preuve d'une vigueur et d'une vitalité remarquables. Aux Etats-Unis, après avoir subi quelques revers peu importants en 1968 et en 1969, les ventes ont repris leur progression en 1970, année durant laquelle elles ont enregistré un gain par unité d'environ 1,5%. A notre avis, ce renversement de tendance est particulièrement encourageant, compte tenu de la propagande négative dont la cigarette fait l'objet et de la hausse des prix de détail imputable en majeure partie au relèvement des impôts perçus par les divers Etats.

Dans ce contexte, Philip Morris U.S.A. a obtenu des résultats remarquables: ses ventes ont augmenté de plus de 11%; Marlboro venant en tête, avec un gain de plus de 16,4% par rapport à 1969. Nos autres marques principales, Benson & Hedges 100's, Parliament, Virginia Slims et Multifilter, se sont bien comportées en cours d'année, et l'introduction sur le marché de la Parliament Charcoal 100's a été couronnée de succès. Nous nous félicitons de pouvoir offrir une complete gamme de marques de cigarettes qui permettent de répondre aux préférences de la majorité des fumeurs. Les recettes records réalisées par Philip Morris U.S.A. sont non seulement imputables à la croissance des ventes de cigarettes, mais aussi aux relèvements de prix auxquels les fabricants ont récemment procédé, ainsi qu'aux progrès constants de l'efficacité de fabrication.

Sur le marché international des cigarettes, qui représente environ le triple du marché des Etats-Unis, les ventes ont augmenté de 4%. Le nombre d'unités vendues par Philip Morris International a progressé de plus de 18% par rapport à 1969, égalant désormais nos ventes aux Etats-Unis. Le nombre total d'unités que nous vendons aujoud'hui dans le monde place votre compagnie au troisième rang mondial des sociétés anonymes de la branche cigarette.

Nos filiales étrangères fabriquent actuellement des cigarettes dans les pays suivants: Argentine, Australie, Belgique, Canada, Guatemala, Hollande, Inde, Mexique, Nigéria, Pakistan, République Dominicaine, Royaume-Uni, Suisse et Venezuela. Nous avons des accords de licences avec les Antilles néerlandaises, l'Autriche, la Bolivie, la Finlande, Hong Kong, l'Italie, le Maroc, Panama, les Philippines et la Yougoslavie. Grâce à nos fabriques locales et à nos exportations, nos produits sont distribués dans plus de 150 pays et territoires.

Tandis que notre activité dans l'industrie mondiale du tabac continuait de progresser, en 1970 nous avons eu la possibilité d'augmenter notre participation dans l'industrie de la bière. C'est ainsi que Philip Morris a acquis les 47% restants des actions de Miller Brewing Company, de Milwaukee, Wisconsin.

Nous nous sommes d'autre part engagés pour la première fois sur le marché international de la bière, au printemps dernier, lorsque notre filiale Benson & Hedges (Canada) Ltd., acquérait la Formosa Spring Brewery, dans l'Ontario.

Malgré les conséquences de la grève de cinq semaines et demie, en 1969, les grèves perlées déclenchées par les camionneurs, au printemps de 1970, dirigées contre les distributeurs, et en dépit d'une baisse des ventes aux armées américaines stationnées à l'étranger, Miller Brewing Company a augmenté ses ventes, en barils et en dollars. Ses bénéfices d'exploitation enregistrent un recul dû à l'augmentation des coûts de production et des dépenses publicitaires. Miller High Life, qui se situe environ au sixième rang des marques de bière aux Etats-Unis et qui compte parmi les trois bières "de luxe" dont les réseaux de commercialisation couvrent l'ensemble du pays, continue sa progression dans les grands centres urbains. Nous prévoyons de nouveaux programmes dynamiques de marketing et avons pleine confiance en l'avenir de Miller; témoin nos projets d'augmenter sa capacité de production.

Dans un autre secteur étranger au tabac, Philip Morris Industrial a vu augmenter ses ventes et ses bénéfices en 1970. Cette performance a été particulièrement encourageante compte tenu du marasme économique qui a compromis les résultats d'exploitation de la plupart des entreprises de l'industrie du papier et de l'emballage.

Comme nous l'avons annoncé l'année dernière, votre compagnie a placé des capitaux dans Mission Viejo Company, dont elle a ainsi acquis le contrôle; il s'agit d'une importante société d'urbanisme et de logement sise dans le comté d'Orange, en Californie. Compte tenu de la dépression économique qui sévit dans le sud de la Californie, des restrictions et du renchérissement des prêts hypothécaires, la compagnie a connu une année relativement bonne. Actuellement nous sommes optimistes en ce qui concerne ses possibilités, notamment en raison des besoins considérables en logements qui vont apparaître au cours des prochaines années.

La question du tabac et de la santé a évidemment retenu toute l'attention de l'industrie. Le 1er avril 1970, a été a signée la "Loi de 1969 sur la Cigarette et la Santé Publique," qui a pour but d'informer le public que la cigarette est susceptible de présenter des dangers pour la santé. Cette loi interdit la publicité pour les cigarettes à la radio et à la télévision après le 1er janvier 1971 et prescrit que les paquets de cigarettes porteront une mise en garde dont le libellé sera modifié.

L'interdiction de la publicité pour les cigarettes à la radio et à la télévision prend effet au moment même de la rédaction de la présente lettre; il est donc évidemment trop tôt pour en déterminer les effets immédiats sur nos entreprises. Toutefois, notre expérience de la vente des cigarettes aux Etats-Unis avant la télévision et la forte pénétration que nous avons obtenue sur de nombreux marchés internationaux sans l'utilisation des organes de diffusion électroniques nous permet d'envisager avec optimisme la possibilité de vendre nos produits sans l'intermédiaire des moyens électroniques de diffusion.

Par ailleurs, les rapports entre l'industrie et les pouvoirs publics ont été marqués par la proposition, présentée volontairement par huit fabricants de cigarettes, d'indiquer, dans leur publicité, la teneur en "goudron" et nicotine. Après pourparlers avec l'Institut du Tabac, la Commission Fédérale du Commerce a accepté la proposition de notre industrie et, ainsi, des indications concernant le "goudron" et la nicotine vont bientôt figurer dans notre publicité. Tout en proposant d'eux-mêmes cette mesure, les fabricants ont rejeté toute hypothèse concernant la relation entre "goudron"—nicotine et santé.

Autre domaine d'activité, nos rapports avec la Commission Fédérale des Communications (FCC). En 1967, la FCC avait statué que l'usage de la cigarette prêtait à controverse et avait donc contraint les entreprises de radiodiffusion à consacrer gratuitement une partie de leur temps d'émission à des annonces anti-cigarette. Au cours de la seule année 1970, on estime que 75 millions de dollars de propagande anti-cigarette ont été diffusés gratuitement. Lorsqu'il fut décidé d'interdire la publicité des cigarettes sur les ondes, la FCC prit, le 15 décembre 1970, une nouvelle décision selon laquelle les entreprises de radio n'avaient plus l'obligation catégorique de diffuser gratuitement des messages anti-cigarette, mais devaient le faire dans les tranches horaires consacrées aux questions d'intérêt public. D'autre part, la décision de la FCC confie dorénavant aux entreprises de radiodiffusion la responsabilité de décider si la question du tabac et de la santé prête effectivement à controverse, et, si l'industrie a la possibilité de répondre aux attaques dont elle fait l'object. Philip Morris et deux autres fabricants de tabac en ont appelé au Tribunal Fédéral pour statuer que toute entreprise de radiodiffusion qui diffuse de la propagande anti-cigarette a l'obligation formelle de présenter l'opinion contraire.

Une fois de plus, la grande presse a publié en manchette d'anciennes statistiques révisées, en les accompagnant de mise en garde qui se distinguaient plus par leur pessimisme que par leur rigueur scientifique. Notre position reste inchangée—il faut multiplier et améliorer les recherches pour répondre aux questions que posent certaines coïncidences statistiques qui elles-mêmes ne sont pas à l'abri des critiques.

C'est pourquoi l'industrie du tabac dépense plus d'argent que toutes les associations bénévoles pour effectuer dans ses laboratoires des recherches sur la fumée et la santé, sous les auspices du Conseil de Recherche sur le Tabac—USA et de la Fondation pour l'Education et la Recherche de l'Association Médicale Américaine.

Dans ce domaine, il convient de signaler les efforts de la Société Américaine de Lutte contre le Cancer pour faire publier dans la presse les résultats d'une expérience prétendant avoir prouvé que 12 chiens exposés à la fumée de cigarette qui leur était injectée par des orifices aménagés dans leur trachée-artère auraient contracté le cancer des poumons du type que l'on rencontre chez l'homme.

En sa qualité de Président du Comité Exécutif de l'Institut du Tabac, votre Président a demandé à la Société Américaine de Lutte contre le Cancer de lui communiquer les données de laboratoire disponibles afin de les faire analyser par un groupe d'experts impartiaux. La Société de Lutte contre le Cancer a refusé et, lors d'une conférence de presse, à New York le 30 avril 1970, nous avons rendu publique notre demande à la Société Américaine de Lutte contre le Cancer. Certains grands journaux, dont le "New York Times," ont appuyé dans leurs éditoriaux, la position prise dans ce domaine par l'Institut du Tabac.

Des articles relatant l'étude ont été soumis, aux fins de publication, à deux importantes revues de médecine, qui les ont toutes deux refusés. Le **Journal of the American Medical Association** a également refusé de publier l'article après l'avoir fait examiner par 18 personnalités indépendantes.

Bien que l'article ait finalement paru, sous une forme révisée, dans une publication d'importance secondaire, sans déclarer que les chiens avaient contracté le cancer des poumons du fait de la cigarette, nous croyons avoir prouvé, grâce à nos efforts, que l'étude n'a pas la portée que lui avait accordée la Société Américaine de Lutte contre le Cancer et que, souvent, les données scientifiques auxquelles on se réfère pour condamner la cigarette ont une validité douteuse.

La controverse au sujet de la cigarette et de la santé va certainment se poursuivre tant que ne seront pas trouvées les réponses à un grand nombre de questions scientifiques. Au fur et à mesure que le temps passe et que les accusations, dont notre industrie est l'objet, restent sans preuve, notre position à long terme devrait s'améliorer; nous sommes certains que toute cette question sera présentée à l'avenir sous un meilleur jour. Toutefois, comme nous avons le sens de nos responsabilités, nous saisissons toutes les occasions qui nous sont offertes pour coopérer avec le gouvernement et d'autres institutions dans le domaine de la cigarette et de la santé. Nous aimerions rappeler que nous avons collaboré avec la Commission Fédérale du Commerce pour l'aider à organiser ses laboratoires pour les tests sur le "goudron" et la nicotine. En fait, ces laboratoires emploient des machines à fumer que Philip Morris a mises au point. Votre Président a été le premier à offrir, au nom de l'industrie, de supprimer la publicité à la télévision et à la radio. L'industrie du tabac a offert de son propre chef d'indiquer la teneur en "goudron" et en nicotine dans les annonces publicitaires.

C'est peut-être dans les changements apportés à nos produits qu'il faut voir les réactions les plus significatives de notre industrie. En effet, les cigarettes filtres représentent aujourd'hui le 80% de la production. Depuis les 16 années que dure la controverse au sujet du tabac et de la santé, l'industrie a réduit la teneur en "goudron" et nicotine des cigarettes. Nos analyses indiquent qu'en moyenne, durant cette période, la teneur en "goudron" a été réduite d'environ 46%, et la teneur en nicotine de 47%.

Notre sens des responsabilités ne s'est pas manifesté au seul secteur de la santé. Au cours des ans, nous avons cessé toute activité de propagande dans les établissements d'enseignement et avons arrêté notre publicité dans les revues universitaires. Nous avons cessé de publier dans la publicité les témoignages de personnalités célèbres dans le monde des sports. Nous avons, de nous-mêmes, proposé d'arrêter la publicité sur les ondes; ce fut là une décision très importantes que nous avons prise afin de dissiper les malentendus.

En outre, dans le domaine de l'environnement, votre compagnie a réalisé des progrès considérables pour répondre à l'avance aux désirs du public et appliquer dans toutes ses installations les normes fixées par le gouvernement. Dans notre nouveau centre de production de cigarettes de Richmond, l'élimination de la pollution industrielle coûtera plus de 5 millions de dollars.

Dans d'autres domaines d'intérêt public, votre compagnie a réalisé des progrès notables en ce qui concerne l'emploi des minorités, augmenté son aide à l'éducation et aux activités culturelles et consacré des sommes et des effectifs considérables pour pallier à la crise des centres urbains.

Nous sommes fiers de nos efforts de nos progrès dans tous ces secteurs, mais nous nous rendons également compte de l'ampleur des tâches qui nous attendent et de la responsabilité qui nous incombe.

Le compte rendu de l'exercice écoulé serait inexact si nous ne rendions pas un vibrant hommage aux employés, plus de 27.000, membres de la famille Philip Morris dans le monde entier. Une fois de plus, leur talent, leur dévouement et leur loyauté ont permis d'élaborer des produits dont la qualité reflète la qualité même de notre personnel.

Présenté respectueusement au nom
du Conseil d'Administration

Joseph F. Cullman, 3rd
Président du Conseil
d'Administration

George Weissman
Président
Directeur Général

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Repaso del Año

Este es ya el decimoséptimo año consecutivo en que la compañía ha mantenido su ímpetu de avance, al alcanzar nuevas cifras máximas en los ingresos por operación y ganancias en 1970.

Los ingresos consolidados por operación de $1.509.540.000 y en ganancias netas de $77.498.000 en 1970, representan aumentos de 32,1% y 32,8%, respectivamente, sobre los resultados de 1969. Las utilidades por acción fueron de $3,36, un 30,2% de aumento en 1970 sobre los $2,58 obtenidos en 1969. El dividendo trimestral de las acciones comunes fue aumentado de $0,25 a $0,30 por acción en la Reunión de noviembre de la Junta Directiva. Con el año 1970 han sido cuarenta y tres los años consecutivos en que la compañía ha pagado dividendos sobre sus acciones ordinarias.

El sector primordial de nuestras operaciones todavía sigue siendo la industria tabacalera, tanto en los Estados Unidos como en el resto del mundo, y desde un punto de vista mundial, Marlboro indudablemente resulta ser la marca principal de más rápido incremento, la marca a la delantera de nuestros productos de tabaco. No obstante de que hemos continuado expandiendo nuestra base diversificada, confiamos mucho en el futuro de la industria tabacalera.

Para los próximos cinco años hay planes para invertir más de $250 millones de capital en nuevas y más amplias instalaciones para la producción de cigarrillos en Estados Unidos y en todo el mundo. En estos planes se incluye la construcción en Richmond, Virginia, de la fábrica de cigarrillos más grande y moderna del mundo y también una adición a nuestro centro de investigaciones.

Desde hace tiempo el criterio de la compañía ha sido que es indispensable contar con instalaciones modernas y funcionales de fabricación, no sólo para hacer frente a la demanda siempre mayor de nuestros productos en el mercado doméstico y en el internacional, sino también para asegurar que estos productos estén fabricados de calidad óptima y al precio más económico posible.

A pesar de los ataques de varias oficinas gubernamentales y de otros sectores, la industria de cigarrillos demuestra un vigor y vitalidad notables. Esta industria, en los Estados Unidos, después de experimentar pequeñas disminuciones de ventas unitarias tanto en 1968 como en 1969, en 1970 cambió de rumbo, con ganancias sobre las ventas unitarias de un 1,5% aproximadamente. Nos parece que este cambio es sumamente alentador, teniendo en cuenta la propaganda que se ha llevado a cabo contra los cigarrillos y los aumentos en el precio al consumidor, causados en su mayor parte, por los aumentos en los impuestos en los diversos Estados de los EE.UU.

Tomando en cuenta estos antecedentes, Philip Morris U.S.A. demostró un curso muy halagador al aumentar el total de las ventas unitarias en más de un 11%, con Marlboro en primer lugar con ganancias de ventas de más de un 16,4% sobre 1969. Nuestras otras marcas importantes, Benson & Hedges 100's, Parliament, Virginia Slims y Multifilter tuvieron un buen año, y se lanzó al mercado el nuevo Parliament Charcoal 100's, con éxito. Tenemos suerte de poder contar con un renglón tan fuerte de marcas de cigarrillos con las que cubrimos prácticamente todos los segmentos importantes del mercado. La cifra record obtenida por Philip Morris U.S.A. en ingresos por operación no sólo refleja un incremento en el volumen de cigarrillos, sino, asimismo, los recientes aumentos de precio de fábrica, junto con un progreso contínuo en eficiencia de fabricación.

En el mercado internacional de cigarrillos, que es más o menos el triple de lo que abarca el mercado de los Estados Unidos, se calcula que las ventas han aumentado en un 4%. Las ventas unitarias de Philip Morris International aumentaron más del 18% sobre el nivel de 1969, igualándose con nuestras ventas unitarias en Estados Unidos. La posición de nuestra compañía, desde el punto de vista mundial, con respecto al total de ventas unitarias, la coloca ahora en el tercer lugar entre las Sociedades Anónimas tabacaleras del mundo.

Nuestras afiliadas en el extranjero fabrican ahora en Argentina, Australia, Bélgica, Canadá, Guatemala, Holanda, India, México, Nigeria, Pakistán, Reino Unido, República Dominicana, Suiza y Venezuela. Tenemos concesionarios en Antillas Holandesas, Austria, Bolivia, Filipinas, Finlandia, Hong Kong, Italia, Marruecos, Panamá y Yugoeslavia. Abastecemos más de 150 países y territorios en el mundo entero por medio de fabricación local y exportaciones.

Mientras que nuestros negocios tabacaleros continuaban mejorando en todo el mundo, en 1970 tuvimos la suerte de poder aumentar nuestra participación en la industria cervecera. Así fue como Philip Morris adquirió el 47% restante de las acciones de la Miller Brewing Company de Milwaukee, Wisconsin.

Asímismo, dimos nuestro primer paso hacia la participación en el mercado internacional de cervezas, al adquirir, la primavera pasada, la Formosa Spring Brewery de Ontario por intermedio de nuestra afiliada Benson & Hedges (Canada) Ltd.

A pesar de los efectos posteriores a la huelga de 5½ semanas en 1969, huelgas esporádicas de repartidores contra los distribuidores en la primavera de 1970, y de la disminución en las ventas militares de ultramar, la Miller Brewing Company logró un aumento en el volumen total de ventas, por barriles y en dólares. Sin embargo las ganancias de operación se vieron reducidas debido al aumento en los gastos de producción y los presupuestos de promoción más elevados. La Miller High Life, que se considera en sexto lugar en ventas y es una de las tres cervezas de primera calidad con distribución nacional, continúa teniendo mucha fuerza dentro de los lugares de mayor población. Se han preparado programas nuevos y de empuje para su mercado y tenemos confianza en que la Miller tendrá gran auge en el futuro, tal como lo indican nuestros planes para ampliar su capacidad productiva cervecera.

En otra industria, no tabacalera, Philip Morris Industrial tuvo un aumento de ventas y ganancias en 1970, lo que fué halagüeño especialmente si se tiene en cuenta el receso de la economía nacional que ha afectado adversamente los resultados de las operaciones de la mayoría de las compañías papeleras y de empaquetado.

El año pasado indicamos que nuestra compañía invirtió y obtuvo el control operativo de Missíon Viejo Company, importante empresa estadounidense de urbanización y construcción de casas en el condado de Orange en California. En vista del receso de la economía en la región sur de California y del costo tan elevado y las dificultades en obtener empréstitos hipotecarios, se puede decir que la compañía ha tenido relativamente un buen año; nos sentimos optimistas de su potencial, muy especialmente debido a la gran demanda de viviendas que habrá en el futuro.

La industria le dió mucha importancia a los asuntos de la salud y el cigarrillo. El 1ro de abril de 1970, fue firmada la ley "Public Health Cigarette Smoking Act of 1969" (Ley de Salubridad Pública de 1969 sobre el cigarrillo) con el propósito de informar al público que los cigarrillos pueden ser peligrosos para la salud. Esta ley trajo consigo la prohibición de la publicidad de cigarrillos en la radio y la televisión después del 1ro de enero de 1971, además de una nueva advertencia en cada paquete de cigarrillos, dirigida a los fumadores.

La prohibición de publicidad por la radio y la televisión entró en vigor mientras escribíamos este reporte. Obviamente es muy temprano para predecir los efectos que producirá en nuestro negocio. Sin embargo, nuestra experiencia en ventas de cigarrillos en los Estados Unidos antes de que existiera la televisión, y la importante penetración del producto que hemos logrado en los diferentes mercados internacionales sin la ayuda de los medios electrónicos, nos deja optimistas sobre nuestra capacidad de vender nuestros productos sin necesidad de valernos de dichos medios.

En otra acción recíproca con el gobierno, ocho fabricantes de cigarrillos se ofrecieron a dar a conocer en la publicidad el contenido de "brea" y nicotina de los cigarrillos. Después de tratar el asunto con el Instituto del Tabaco, la Federal Trade Commission aceptó la proposición de la industria y pronto aparecerá en nuestros anuncios la información sobre el contenido de "brea" y nicotina. Al adoptar esta decisión voluntaria, los fabricantes repudiaron las suposiciones referentes al efecto que la "brea" y la nicotina pudieran tener en la salud.

En conexión con la Federal Communications Commission también se llevaron a cabo otras actividades. En 1967, la FCC decretó que fumar cigarrillos era asunto que se prestaba a controversia, de modo que se obligó a las estaciones radiales y canales de televisión a que dedicaran, gratis, parte de su tiempo a anuncios contra los cigarrillos. Se cree que el total de anuncios comerciales contra cigarrillos, que se transmitieron gratuitamente, llegó a la suma de $75 millones. Al decidirse que no se permitiría publicidad en radio ni en televisión, el 15 de diciembre de 1970 la FCC dió a conocer un nuevo decreto en el sentido que las estaciones radiales y canales de televisión ya no tendrían la obligación estricta de difundir mensajes gratuitos contra los cigarrillos, pero en el tiempo que se dedica a asuntos de interés público se cree que éstas continuarán haciéndolo. Al mismo tiempo, el decreto de la FCC indica que depende del difusor el decidir si estos anuncios contra el cigarrillo son motivo de controversia y si se ha de permitir que la industria se defienda de dichos ataques. Philip Morris y otros fabricantes tabacaleros han apelado al Tribunal Federal declarando que toda difusora que presente material atacando a los cigarrillos tiene asímismo la obligación clara de ofrecer el punto de vista contrario.

Otra vez la prensa popular ha puesto en grandes titulares revisiones de material estadístico viejo y de nuevo ha vuelto a publicar avisos con advertencias más alarmantes que científicamente valederas. Nuestra posición se mantiene igual. Se necesitan más y mejores investigaciones para responder a las preguntas surgidas de Asociaciones Estadísticas, las cuales a su vez se prestan a duda.

Con este objectivo, la Industria Tabacalera gasta más dinero en esto que todos los organismos voluntarios de salubridad pública juntos, en investigaciones sobre el efecto de fumar cigarrillos en la salud, por intermedio del Council for Tobacco Research—USA y de la Fundación de Educación y de Investigación de la American Medical Association. En este campo, la American Cancer Society trató de darle publicidad a un experimento que según decían demostraba que doce perros sabuesos desarrollaban una clase de cáncer del pulmón parecido al del ser humano, cuando se les exponía al humo de cigarrillo forzado en aberturas hechas en sus tráqueas.

En su calidad de Presidente del Comité Ejecutivo del Instituto de Tabaco, el Presidente de nuestra compañía retó a la American Cancer Society a que pusiera los datos obtenidos en el laboratorio a la disponibilidad de un grupo imparcial de expertos para que los evaluara. La Sociedad del Cáncer rehusó y el 30 de abril de 1970, durante una conferencia de prensa en Nueva York, nuestro reto a la Cancer Society fue divulgado al público. En editoriales de un número de prestigiosos periódicos, incluso **The New York Times**, aparecieron opiniones apoyando el punto de vista del Instituto del Tabaco.

Se sometieron unos artículos, que describían el estudio, a dos prominentes revistas médicas para su publicación, pero ambas los rechazaron. Después de que dieciocho autoridades independientes estudiaron el artículo, la revista **The Journal of the American Medical Association** también se negó a publicarlo.

Aunque el artículo ha salido publicado en una revista de menor importancia, en forma corregida, sin que se pretenda que los sabuesos *desarrollaron cáncer por fumar cigarrillos*, creemos que con nuestro esfuerzo en este sentido hemos demostrado que el estudio carece de significado, como originalmente pretendía la American Cancer Society, y que, también, a veces la información científica en que se basan los que atacan al cigarrillo es de dudosa validez.

Sin duda, la controversia sobre fumar y su efecto en la salud ha de continuar hasta que gran número de incógnitas científicas hayan sido resueltas. Con el paso del tiempo y al quedar infundados los cargos que se hacen a nuestra industria, nuestra posición a la larga ha de mejorar, y tenemos la confianza que más adelante todo este asunto será enfocado con perspectivas más favorables. Pero, como somos personas serias y responsables, estamos siempre dispuestos a aprovechar toda oportunidad seria y responsable de cooperar con el gobierno y con otros organismos sobre la cuestión de fumar y la salud. Deseamos recordar que nosotros hemos cooperado con la Federal Trade Commission en el establecimiento de los laboratorios de pruebas de "brea" y nicotina. Hasta utilizan máquinas de fumar producidas por Philip Morris. Nuestro Presidente, como portavoz de la Industria, fue el primero que ofreció suprimir voluntariamente los anuncios en la radio y televisión. La industria tabacalera ofreció voluntariamente indicar en la publicidad el contenido de "brea" y de nicotina.

Tal vez la receptividad mayor se ha observado en los cambios que, nosotros, como industria, hemos adoptado en nuestros productos. Los cigarrillos con filtro constituyen al presente el 80% de la producción total de la industria. En los dieciseis años transcurridos desde que se inició la controversia sobre el cigarrillo y sus efectos en la salud, la industria ha reducido de modo notable la cantidad de "brea" y nicotina que emana de los cigarrillos. Nuestros cálculos demuestran que la cantidad de "brea" que emana de un cigarrillo regular ha sido reducida aproximadamente en un 46% y la de nicotina en un 47% durante este período.

Nuestro sentido de responsabilidad no se ha circunscrito al campo de la salud solamente. En el transcurso de los años hemos suspendido las actividades de promoción en los terrenos de las universidades y la publicidad en periódicos estudiantiles. Ya no hacemos más publicidad con personas célebres ni deportistas famosos, ni publicamos sus recomendaciones o endosos. Propusimos lo que constituyó un paso de gran importancia: retirarnos del aire para tratar de hacer el aire más puro.

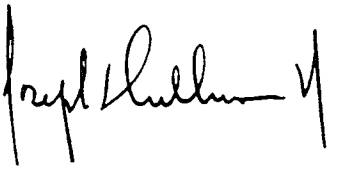
Además, nuestra compañía ha progresado notablemente al anticipar y responder a las necesidades ecológicas públicas, así como a las normas establecidas por el gobierno mediante las instalaciones de nuestra compañía. Más de $5 millones de los gastos presupuestados para nuestra nueva fábrica de cigarrillos de Richmond se dedicarán a eliminar la contaminación industrial.

Con respecto a otros aspectos tocantes a intereses del público, notables han sido las mejoras logradas por nuestra compañía respecto al aumento de empleos para grupos de minoría, mayor participación en la ayuda a la educación y a las actividades culturales, y a la dedicación de sumas considerables y del tiempo de nuestros empleados para hacer frente a las crisis urbanas.

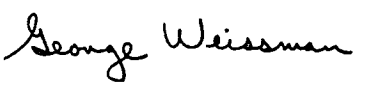
A pesar de que nos enorgullecemos de los esfuerzos dedicados y los progresos alcanzados en todos estos campos, comprendemos bien la magnitud de las tareas aún por llevar a cabo y nuestra responsabilidad en contribuír con lo que nos corresponde.

No quedaría completo nuestro recuento del pasado año si no rindiéramos tributo a los más de 27.000 empleados que forman parte de la familia Philip Morris en el mundo entero. De nuevo han sido su consagración al trabajo, su competencia, honestidad y lealtad lo que ha hecho posible productos de calidad, que son el reflejo de la calidad de nuestro personal.

Presentado respetuosamente
a nombre de la Junta Directiva,



Joseph F. Cullman, 3rd
Presidente de la Junta y
Funcionario Ejecutivo en Jefe



George Weissman
Presidente y Funcionario
de Operaciones en Jefe

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Jahresbericht 1970

Siebzehn Jahre lang hat sich Ihre Firma nun mit ungebrochener Vitalität vorwärtsentwickelt und dabei im Jahre 1970 wiederum Spitzenerfolge in ihren Betriebsergebnissen und Erträgen erzielt.

Das konsolidierte Betriebsergebnis für 1970 in Höhe von $1.509.540.000 und der Reinertrag im Werte von $77.498.000 stellten einen Anstieg von 32.1% bzw. 32.8% gegenüber den Jahresergebnissen dar. Die Erträge pro Aktie betrugen $4.96 und stiegen damit im Jahre 1970 um 30.2%, im Vergleich zu $2.58, die im Jahre 1969 erzielt wurden. Anlässlich der Aufsichtsratssitzung im November wurde die Vierteljahresdividende auf die Stammaktien von $ .25 auf $ .30 pro Aktie erhöht. Im Jahre 1970 hat die Firma zum 43. Male hintereinander Dividenden auf ihre Stammaktien ausgeschüttet.

Der Produktionsschwerpunkt in den Vereinigten Staaten wie in den anderen Ländern der Welt bleibt das Tabakgeschäft, wobei auf weltweiter Basis Marlboro eindeutig die Zigarettenmarke ist, die sich am schnellsten verbreitet und die Rangliste unserer Tabakmarkenstruktur anführt. Obwohl wir unsere diversifizierte Basis weiterhin ausgebaut haben, setzen wir doch grosses Vertrauen in die Zukunft des Tabakgeschäftes.

Für die nächsten fünf Jahre haben wir Kapitalinvestitionen von über $250 Millionen für neue und erweiterte Zigarettenherstellungsanlagen in den USA und der ganzen Welt vorgesehen. Hierzu wird die grösste und modernste Zigarettenfabrik der Welt und eine Erweiterung unserer Forschungsanlagen, beide in Richmond, Virginia, gehören.

Ihre Firma hat sich seit langer Zeit der Auffassung verschrieben, dass moderne, leistungsfähige Produktionsstätten nicht nur notwendig sind, um der wachsenden Nachfrage für unsere Erzeugnisse im In- und Ausland gerecht werden zu können, sondern weil sie die Gewähr bieten, dass diese Erzeugnisse mit der höchstmöglichen Qualität zu möglichst niedrigen Kosten hergestellt werden.

Trotz der auf sie verübten Angriffe von seiten verschiedener Regierungs- und anderer Stellen beweist die Zigarettenbranche eine bemerkenswerte Stärke und Vitalität. In den Vereinigten Staaten hat sich im Jahre 1970 nach einem geringfügigen Rückgang des Zigarettenumsatzes im Jahre 1968 und 1969 der Trend mit einem Umsatzanstieg von ungefähr 1.5% geändert. Im Hinblick auf die zigarettenfeindliche Werbung und die steigenden Einzelhandelspreise, die vorwiegend auf erhöhten Staatensteuern beruhen, halten wir diesen Umschwung für besonders ermutigend.

Vor diesem Hintergrund ist die Erhöhung des Gesamtumsatzes der Philip Morris U.S.A. um mehr als 11% als eine beachtliche Leistung anzusehen. Dabei lag die Zigarettenmarke Marlboro mit über 16.4% Umsatzanstieg im Vergleich zu 1969 an erster Stelle. Unsere anderen grossen Marken, Benson & Hedges 100, Parliament, Virginia Slims und Multifilter haben sich im Laufe des Jahres gut behauptet, und die Zigarettenmarke Parliament Charcoal 100 wurde mit Erfolg auf dem Markt eingeführt. Wir sind in der glücklichen Lage, über eine derartig grosse Auswahl von Zigarettenmarken zu verfügen, die fast alle grossen Sektoren des Marktes erfassen. Der Spitzenertrag der Philip Morris U.S.A. reflektiert nicht nur den volumenmässigen Zuwachs an Zigaretten, sondern auch die kürzlichen Preiserhöhungen der Hersteller sowie den anhaltenden Fortschritt in der Produktivität unserer Betriebe.

Auf dem internationalen Zigarettenmarkt, der etwa die dreifache Grösse des Marktes der Vereinigten Staaten umfasst, haben sich die Umsätze schätzungsweise um 4% erhöht. Der Zigarettenumsatz der Philip Morris International ist gegenüber dem Vorjahresstand um mehr als 18% gestiegen und kommt damit unserem Umsatz in den Vereinigten Staaten gleich. Der gesamte Umsatz an Zigaretten auf weltweiter Basis macht Ihre Firma jetzt zur drittgrössten tabakverarbeitenden Aktiengesellschaft der Welt.

Unsere Tochtergesellschaften im Ausland produzieren jetzt in Argentinien, Australien, Belgien, Kanada, in der Dominikanischen Republik, Guatemala, den Niederlanden, Indien, Mexiko, Nigeria, in der Schweiz, Grossbritannien, Venezuela und Pakistan. Wir haben Lizenznehmer in Oesterreich, Bolivien, Finnland, Hong Kong, Italien, Marokko, den niederländischen Antillen, Panama, den Philippinen und Jugoslawien. Durch Herstellung am Orte und Exportlieferungen beliefern wir über 150 Länder der Welt.

Während sich unsere Position in der Tabakindustrie weiterhin verbessert hat, waren wir in der glücklichen Lage, unser Engagement in Brauereien im Jahre 1970 zu erweitern. So hat Philip Morris die restlichen 47% der Aktien der Brauerei Miller Brewing Company in Milwaukee, Wisconsin, erworben.

Im letzten Frühjahr erweiterten wir unsere Aktivität auf den internationalen Biermarkt, als der uns angeschlossene Betrieb Benson & Hedges (Canada) Ltd. die Brauerei Formosa Spring Brewery in Ontario kaufte.

Trotz der Nachwirkungen des 5½ Wochen dauernden Streiks im Jahre 1969, vereinzelter gegen Vertriebsgesellschaften unternommener Streiks der Transportarbeiter im Frühjahr 1970 und eines Rückgangs der Verkäufe an Militärdienststellen konnte die Miller Brewing Company das Gesamtumsatzvolumen pro Fass und Dollar erhöhen. Die Betriebserträge waren wegen der höheren Herstellungskosten und der höheren Werbekosten rückläufig. Das Bier Miller High Life, die angeblich sechstgrösste Biersorte in den USA und eine der drei im ganzen Land vertriebenen Qualitätsmarken, erweist sich in den grossen Bevölkerungszentren weiterhin als sehr gefragt. Wir haben neue und aggressive Absatzprogramme vorgesehen und haben Vertrauen in das künftige Wachstum von Miller, was durch unsere Pläne zur Erweiterung der Braukapazität am besten veranschaulicht wird.

In einem weiteren Unternehmensbereich ausserhalb des Tabaksektors verzeichnete Philip Morris Industrial im Jahre 1970 einen Anstieg von Umsatz und Ertrag. Diese Leistung war besonders ermutigend angesichts der schlechten Wirtschaftslage, die sich auf das Betriebsergebnis der meisten Firmen der Papier- und Verpackungsbranche ungünstig auswirkte.

Wie wir im vergangenen Jahr berichteten, hat Ihre Firma im Rahmen einer Kapitalinvestierung die Betriebsleitung der Mission Viejo Company übernommen, einem der grösseren Unternehmen zur Erschliessung neuer Städte und Eigenheime in Orange County in Kalifornien. Im Hinblick auf die Wirtschaftskrise in Süd-Kalifornien und die hohen Kosten sowie die Schwierigkeit, Hypothekenkredite zu erhalten, hatte die Firma ein relativ gutes Jahr, und wir sind zu diesem Zeitpunkt, was ihr Potential angeht, optimistisch, insbesondere in Bezug auf den sehr grossen Bedarf an Wohneinheiten in den kommenden Jahren.

Der Frage "Rauchen und Gesundheit" musste von der Industrie viel Aufmerksamkeit geschenkt werden. Am 1. April 1970 trat das "Gesetz von 1969 über Volksgesundheit und Zigarettenrauchen" in Kraft, dessen Ziel es ist, die Oeffentlichkeit darüber zu informieren, dass die Zigaretten gesundheitsschädlich sein können. Mit diesem Gesetz wurde die Zigarettenwerbung im Rundfunk oder Fernsehen nach dem 1. Januar 1971 untersagt und für Zigarettenpackungen eine neue, abgeänderte Warnung angeordnet.

Das Verbot der Zigarettenwerbung in Rundfunk und Fernsehen ist zur Zeit der Abfassung des vorliegenden Berichts in Kraft getreten, und es ist daher offensichtlich zu früh, seine unmittelbare Auswirkung auf unser Geschäft vorauszusehen. Jedoch ermutigen uns unsere Erfahrung mit dem Absatz von Zigaretten in den Vereinigten Staaten vor Einführung des Fernsehens und die bedeutende Marktdurchdringung, die wir auf vielen internationalen Märkten ohne den Einsatz von elektronischen Werbeträgern erreicht haben, zu einer optimistischen Prognose hinsichtlich unserer Fähigkeit, unsere Erzeugnisse auch ohne die elektronischen Werbeträger erfolgreich abzusetzen.

Bei einem weiteren gemeinsamen Vorgehen mit der Regierung haben acht Zigarettenhersteller sich freiwillig erboten "Teer" und Nikotin-Zahlenangaben in der Werbung zu erwähnen. Nach Besprechungen mit dem Tabakinstitut hat die Federal Trade Commission den Vorschlag der Industrie angenommen, und die Angabe des "Teer" und Nikotingehaltes wird in Kürze in unsere Werbung einbezogen. Somit haben die Hersteller jegliche Mutmassung über irgendeine Bedeutung des "Teer—" und Nikotingehaltes im Zusammenhang mit der Gesundheitsfrage klar zurückgewiesen.

Bei einem weiteren Tätigkeitsfeld handelte es sich um die Federal Communications Commission (Bundeskommission für das Nachrichtenwesen). Die FCC stellte die FCC in Jahre 1967 fest, dass das Zigarettenrauchen eine Streitfrage darstelle und dass folglich Rundfunk- und Fernsehstationen die Verpflichtung hätten, kostenlos einen Teil ihrer Zeit auf Anti-Zigaretten-Werbesendungen zu verwenden. Schätzungsweise wurden allein im letzten Jahr $75 Millionen für derartige Anti-Zigaretten Sendungen ausgegeben. Als die Beendigung von Zigarettenwerbesendungen bevorstand, hat die FCC am 15. Dezember 1970 eine neue Entscheidung gefällt, wonach Rundfunk- und Fernsehsender nicht mehr verpflichtet sind, kostenlos Sendungen gegen den Tabakgenuss zu übertragen. Es wird jedoch erwartet, dass sie es dennoch in Sendungen von öffentlichem Interesse einflechten. Gleichzeitig besagt die Entscheidung der FCC, dass es den Sendern jetzt überlassen wird zu entscheiden, ob das Problem "Rauchen und Gesundheit" noch umstritten bleibt und ob sie der Industrie gestatten sollen, sich gegen Angriffe zu verteidigen. Philip Morris und andere Tabakhersteller haben bei einem Bundesgericht Berufung eingelegt und gefordert, dass jeder Sender, der Programme gegen das Zigarettenrauchen bringt, die eindeutige Verpflichtung hat, auch den gegenteiligen Standpunkt darzulegen.

Wieder einmal machte die Boulevardpresse Schlagzeilen mit ihrem Rückgriff auf abgeändertes, statistisches Material, wieder einmal veröffentlicht mit mehr unheilverkündenden Warnungen als wissenschaftlichem Gehalt. Unsere Position bleibt die gleiche—wir brauchen mehr und bessere Forschung, um Fragen zu beantworten, die statistische Verbände aufwarfen, bei denen selber einiges fraglich ist.

Zu diesem Zweck wendet die Tabakindustrie mehr Mittel auf als sämtliche freiwilligen Gesundheitsorganisationen zusammen, indem sie zur Forschung auf dem Gebiet "Rauchen und Gesundheit" durch den Einsatz von Laboratorien der Tabakindustrie, dem USA Rat für Tabakforschung und der Stiftung "Ausbildung und Forschung" der amerikanischen Aerztekammer (American Medical Association) beiträgt.

In dieser Hinsicht war der Versuch der Amerikanischen Gesellschaft für Krebskrankheiten (American Cancer Society) berichtenswert, die ein Experiment publizieren wollte, mit dem angeblich nachgewiesen wurde, dass 12 kleine Spürhunde, die Zigarettenrauch ausgesetzt wurden, den man durch eine in die Luftröhre geschnittene Oeffnung hineinzwang, dieselbe Art von Lungenkrebs entwickelten, die man beim Menschen antrifft.

Ihr Vorsitzender hat als Vorsitzender des geschäftsführenden Ausschusses des Tabakinstituts die Amerikanische Gesellschaft für Krebskrankheiten aufgefordert, die Mess- und Versuchswerte einer unparteiischen Gruppe von Sachverständigen zur Begutachtung vorzulegen. Die Amerikanische Gesellschaft für Krebskrankheiten weigerte sich jedoch, und auf einer Pressekonferenz in New York am 30. April 1970 gaben wir unsere Aufforderung an die Amerikanische Gesellschaft für Krebskrankheiten öffentlich bekannt. Die Position des Tabakinstitutes im Zusammenhang mit dieser Angelegenheit wurde in den Leitartikeln einer Reihe bedeutender Zeitungen, darunter die New York Times, unterstützt.

Artikel, in denen die Untersuchung beschrieben wird, wurden zwei namhaften, medizinischen Fachzeitschriften zur Veröffentlichung angeboten und von beiden zurückgewiesen. **Die Fachzeitschrift der Amerikanischen Aerztekammer** lehnte die Veröffentlichung des Artikels ab, nachdem er von achtzehn unabhängigen Sachverständigen nachgeprüft worden war.

Obgleich der Artikel seitdem in einer unbedeutenden Zeitschrift in abgeänderter Form und ohne die Behauptung, dass die Spürhunde sich durch das Rauchen von Zigaretten Lungenkrebs zugezogen hätten, erschienen ist, sind wir der Ansicht, dass wir durch unsere Anstrengungen den Beweis erbracht haben, dass diese Studie keine wirkliche Bedeutung besitzt, wie das ursprünglich von der Amerikanischen Gesellschaft für Krebskrankheiten behauptet wurde, und ferner, dass die wissenschaftliche Information, auf die man sich so oft bei Anklagen gegen das Zigarettenrauchen verlässt, von zweifelhaftem Wert ist.

Die Debatte um das Problem "Rauchen und Gesundheit" ist offensichtlich von solcher Tragweite, dass sie weitergehen wird, bis die vielen grossen wissenschaftlichen Sachverhalte geklärt sind. Mit fortschreitender Zeit, wenn die Anklagen gegen unsere Industrie weiterhin nicht bewiesen werden können, muss sich unsere langfristige Position bessern, und wir sind zuversichtlich, dass diese ganze Frage in Zukunft in der richtigen Perspektive gesehen werden wird. Da wir jedoch seriöse und verantwortungsvolle Leute sind, begrüssen wir alle seriösen und verantwortungsvollen Gelegenheiten, mit der Regierung und privaten Organisationen auf dem Gebiet "Rauchen und Gesundheit" zusammenzuarbeiten. Wir möchten daran erinnern, dass wir mit der Bundeshandelskommission an der Einrichtung ihrer Untersuchungslaboratorien für "Teer" und Nikotin zusammengearbeitet haben. Sie verwenden in der Tat Rauchmaschinen, die von Philip Morris entwickelt wurden. Ihr Vorsitzender hat zuerst im Namen der Industrie den freiwilligen Verzicht auf Rundfunk und Fernsehwerbung vorgeschlagen. Die Tabakindustrie hat sich freiwillig erboten, "Teer-" und Nikotinwerte in ihrer Werbung anzugeben.

Die wohl grösste Beachtung fanden die Veränderungen, die wir als Industrie an unseren Produkten vornahmen. Die Filterzigaretten betragen heute 80% der Erzeugung der Industrie. In den sechzehn Jahren seit Beginn der Auseinandersetzung im Zusammenhang mit Rauchen und Gesundheit hat die Industrie bei sämtlichen Zigaretten die durchschnittliche Abgabe von "Teer" und Nikotin merklich reduziert. Unsere Berechnungen ergeben, dass während dieser Zeit der Teergehalt der Durchschnittszigarette um ca. 46% und der Nikotingehalt um 47% reduziert wurde.

Unsere Verantwortung hat sich nicht auf den Bereich der Gesundheit beschränkt. Im Laufe der Jahre haben wir jede Verkaufsförderung auf Universitätsgeländen, in Universitätszeitungen, sowie die Werbung durch prominente Persönlichkeiten, namhafte Sportler oder deren Empfehlung, eingestellt. Wir haben versucht, durch freiwilliges Aufgeben der Werbesendungen die "Luft etwas zu reinigen", was einen bedeutungsvollen Schritt darstellte.

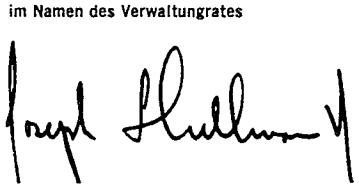
Zusätzlich hat Ihre Firma auf dem Gebiet des Umweltschutzes bemerkenswerten Fortschritt dadurch erzielt, dass sie sich in sämtlichen Konzernanlagen auf die Belange der Oeffentlichkeit und die amtlichen Normen einrichtete und dies dann auch durchführte. Ueber $5 Millionen der für unsere neue Zigarettenfabrik in Richmond vorgesehenen Ausgaben werden der Beseitigung industrieller Verschmutzung zukommen.

Auch auf einem anderen Gebiet von öffentlichem Interesse leistete Ihre Firma Beachtliches. Die Einstellung von Angehörigen der Minderheitsgruppen nahm entscheidend zu, und die Beiträge zu Ausbildungszwecken und kulturellen Veranstaltungen wurden erhöht. Weiterhin hat sie der grossen Krise der Städte erhebliche Beträge und Arbeitszeit zugewendet.

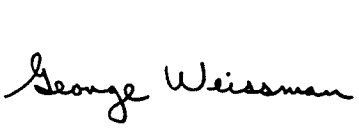
Obwohl wir stolz sind auf die Bemühungen und den Fortschritt, den wir auf allen diesen Gebieten erzielt haben, sind wir uns ebenfalls der Grösse der vor uns liegenden Aufgaben sowie unserer Verantwortung bewusst, das unsrige beizutragen.

Kein Rückblick auf das vergangene Jahr könnte Anspruch auf Vollständigkeit erheben, wenn er nicht den mehr als 27.000 Mitarbeitern in der ganzen Welt, die ein Teil der Philip Morris-Familie sind, seine Anerkennung bezeugen würde. Einmal mehr haben ihr Können und ihre Hingabe Qualitätserzeugnisse geschaffen, in denen sich die Qualität der Mitarbeiter spiegelt.

Unterbreitet
im Namen des Verwaltungrates



Joseph F. Cullman, 3rd
Vorsitzender des Verwaltungsrates



George Weissman
Präsident und Generaldirektor

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Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

Rassegna dell'Anno

Ancora una volta, e per il 17mo anno consecutivo, la Vostra Società—mantenendo in pieno il suo slancio—è riuscita nel 1970 a stabilire nuovi record nelle entrate e nell'utile di esercizio.

Le entrate consolidate del 1970, di $1.509.540.000 e l'utile netto di $77.498.000, rappresentano rispettivamente un aumento del 32,1% e 32,8% sulle cifre del 1969. L'utile per azione è stato nel 1970 di $3,36, con un aumento del 30,2% rispetto ai $2,58 raggiunti nel 1969. Il Consiglio di Amministrazione, nella sua seduta del Novembre scorso, ha deliberato un incremento del dividendo trimestrale sulle azioni ordinarie da $0,25 a $0,30. Il 1970 è il 43mo anno consecutivo in cui la Società ha pagato dividendi sulle azioni ordinarie.

La chiave di volta della nostra attività, negli Stati Uniti e nel mondo intero, è tuttora l'industria del tabacco, con la Marlboro decisamente in testa alle maggiori marche mondiali per rapidità di crescita, e portabandiera delle nostre marche di tabacchi. Pur continuando ad espandere la nostra diversificazione, abbiamo grande fiducia nel futuro dell'industria dei tabacchi.

Per i prossimi cinque anni progettiamo di investire oltre 250 milioni di dollari in nuovi impianti per la produzione di sigarette e in ampliamenti di quelli esistenti, tanto negli Stati Uniti che nel resto del mondo. Tra i nuovi impianti verrà inclusa la più grande e più moderna fabbrica di sigarette nel mondo, più un aggiunta agli impianti di ricerche che saranno costruite a Richmond, Virginia.

La Vostra società segue da molto tempo il principio secondo il quale impianti produttivi moderni e efficienti sono necessari non solo per venire incontro alla crescente domanda dei suoi prodotti nel mercato nazionale ed estero, ma anche al fine di assicurarsi che tali prodotti siano della migliore qualità e vengano fabbricati al minimo costo possibile.

Malgrado gli attacchi ai quali è stata sottoposta da parte di enti governativi ed altri, l'industria delle sigarette dimostra notevole energia o vitalità. Negli Stati Uniti, dopo aver risentito minori flessioni nelle vendite unitarie tanto nel 1968 che nel 1969, nel 1970 essa ha visto rovesciarsi la situazione, con un aumento nelle vendite di circa l'1,5%. Questo rovesciamento della situazione ci sembra particolarmente incoraggiante, in considerazione dalla propaganda contro le sigarette e degli aumenti dei prezzi al dettaglio dovuti principalmente all'incremento delle tasse imposte dai singoli Stati.

Considerati questi dati generali, appaiono invero notevoli i risultati conseguiti dalla Philip Morris U.S.A., che ha ottenuto un aumento nelle vendite unitarie di oltre l'11%. La marca Marlboro ha guidato l'avanzata con un aumento nelle vendite del 16,4% rispetto al 1969. Le nostre altre maggiori marche: Benson & Hedges 100's, Parliament, Virginia Slims e Multifilter sono andate bene durante l'anno e le Parliament Charcoal 100's sono state introdotte sul mercato con successo. Siamo fortunati di avere un così forte schieramento di marche di sigarette, che copre quasi tutti i settori più importanti del mercato. L'eccezionale reddito d'esercizio della Philip Morris U.S.A. riflette non soltanto l'aumentato volume delle vendite di sigarette, ma anche i recenti aumenti di prezzo dei fabbricanti, oltre che il continuo progresso nella efficienza di fabbricazione.

Nel mercato internazionale delle sigarette, che è circa tre volte quello degli Stati Uniti, si stima che le vendite siano aumentate del 4%. Le vendite unitarie da parte della Philip Morris International sono aumentate del 18% rispetto al 1969, uguagliando le nostre vendite unitarie negli Stati Uniti. Il totale delle nostre vendite in tutto il mondo fa della Vostra Società la terza in ordine di grandezza tra le società private produttrici di sigarette nel mondo.

Oggi le nostre affiliate nella manifattura dei tabacchi producono in Argentina, Australia, Belgio, Canada, Guatemala, India, Messico, Nigeria, Olanda, Pakistan, Regno Unito, Repubblica Domenicana, Svizzera e Venezuela. Abbiamo accordi per la fabbricazione su licenza in Austria, Bolivia, Finlandia, Hong Kong, Italia, Marocco, Antille Olandesi, Panama, Filippine e Yugoslavia. Forniamo più di 150 paesi e territori nel mondo attraverso le fabbriche ivi impiantate e le esportazioni.

Mentre su scala mondiale la nostra posizione nell'industria dei tabacchi continuava a migliorare, abbiamo avuto la fortuna di poter, nel 1970, aumentare il nostro investimento nell'industria della birra. Pertanto, la Philip Morris ha acquistato il rimanente 47% del capitale azionario della Miller Brewing Company di Milwaukee, Wisconsin.

Ci siamo anche affacciati al mercato internazionale della birra nella primavera scorsa, quando la nostra affiliata Benson & Hedges (Canada) Ltd. ha acquistato la Formosa Spring Brewery in Ontario.

Malgrado gli strascichi dello sciopero di cinque settimane e mezzo del 1969, gli scioperi sporadici dei camionisti contro i distributori locali nella primavera del 1970 e la diminuzione nelle vendite alle forze armate oltremare, la Miller Brewing Company ha venduto un maggior quantitativo di barili ed ha aumentato il suo fatturato. Il reddito d'esercizio è diminuito in seguito all'aumento nel costo di produzione e alle maggiori spese di pubblicità. La Miller High Life, la sesta maggiore marca di birra negli Stati Uniti e una delle tre birre di alta qualità vendute in tutto il Paese, continua ad essere molto popolare nei maggiori centri abitati. Intendiamo lanciare nuovi ed aggressivi programmi di marketing e nutriamo fiducia nel futuro sviluppo della Miller, fiducia dimostrata chiaramente dai nostri piani per l'espansione della sua capacità di produzione.

La Philip Morris Industrial, anche essa operante fuori del ramo tabacchi, ha segnato nel 1970 un aumento delle vendite e degli utili. Questo risultato è quanto mai incoraggiante in vista delle condizioni depresse dell'economia in generale, condizioni che hanno avuto un effetto negativo sui risultati d'esercizio della maggior parte delle aziende nei rami carta e imballaggi.

Vi abbiamo informato lo scorso anno che la Vostra società aveva effettuato un investimento, acquistando il pacchetto di controllo della Mission Viejo Company, una società di primo piano nella costruzione di nuove città e nell'edilizia residenziale in Orange County, California. Considerati l'economia depressa della California meridionale e l'alto costo e la scarsa disponibilità dei mutui ipotecari, la società ha avuto un'annata relativamente buona. Oggi siamo ottimisti circa il suo potenziale, specialmente in vista dell'estremo bisogno di alloggi nei prossimi anni.

I problemi relativi alla questione fumo e salute hanno naturalmente richiesto grande attenzione da parte dell'industria del tabacco. Il primo Aprile 1970 venne firmato il "Public Health Cigarette Smoking Act of 1969," il cui scopo è di informare il pubblico che le sigarette possono essere nocive alla salute. Questa legge vieta la pubblicità alle sigarette alla radio e televisione a partire dal 1 Gennaio 1971 e prescrive inoltre una nuova, riveduta avvertenza sui pacchetti di sigarette.

Il divieto di pubblicità alle sigarette alla radio e alla televisione è divenuto operante al momento in cui questa lettera viene scritta e, ovviamente, è troppo presto per determinare quale effetto immediato esso avrà sulle nostre attività. Tuttavia la nostra esperienza nella vendita di sigarette negli Stati Uniti prima dell'avvento della televisione e la notevole penetrazione che siamo riusciti ad ottenere in molti mercati esteri senza ricorrere a media elettronici, ci rendono ottimisti circa la nostra capacità di vendere con successo i nostri prodotti senza l'ausilio di tali canali di pubblicità.

Ancora in tema di trattative con il Governo, otto produttori di sigarette hanno offerto spontaneamente di divulgare nella loro reclame le percentuali di "catrame" e nicotina. A seguito di consultazioni con il Tobacco Institute, la Commissione Federale per il Commercio ha accettato la proposta degli industriali e ben presto la nostra pubblicità comprenderà la segnalazione delle percentuali di "catrame" e nicotina. Nel prendere spontaneamente tale decisione, gli industriali hanno formalmente negato qualsiasi pretesa di stabilire un qualsivoglia rapporto tra le percentuali di "catrame" e nicotina e il problema della salute.

Anche l'area delle relazioni con la Commissione Federale per le Comunicazioni (FCC) è stata attiva. Nel 1967 la FCC decise che il fumare sigarette era soggetto controverso, per cui le stazioni radio e televisive furono obbligate a cedere a titolo gratuito parte del loro tempo di trasmissione ai messaggi contro le sigarette. Si stima che, solo in quest'ultimo anno, la diffusione gratuita di questi messaggi anti-sigarette abbia utilizzato un tempo che poteva rendere alle trasmittenti 75 milioni di dollari. Messa di fronte al fatto che la pubblicità alle sigarette sarebbe stata eliminata dalla radiodiffusione, la FCC emise il 15 Dicembre una nuova ordinanza, ai sensi della quale le stazioni radio e televisive non hanno più l'obbligo di trasmettere gratuitamente messaggi contro il fumo, ma saranno invece tenute a farlo nel tempo dedicato alle trasmissioni di interesse pubblico. Al contempo, la decisione della FCC indica che i radiodiffusori sono liberi di decidere se la questione fumo e salute è tuttora controversa o meno e se essi debbano o meno permettere all'industria dei tabacchi di rispondere ad eventuali attacchi in proposito. La Philip Morris e altri fabbricanti del ramo hanno presentato ricorso alla Corte Federale, chiedendo che si stabilisca che se un radiodiffusore trasmette messaggi contro le sigarette, ha anche l'obbligo di presentare il punto di vista contrario.

Ancora una volta la stampa a larga diffusione ha ripubblicato con grossi titoli dei vecchi dati statistici, ripresentati con più catastrofici ammonimenti che sostanza scientifica. La nostra posizione rimane immutata: è necessario svolgere ricerche più approfondite ed estese per poter rispondere agli interrogativi che sono sorti in seguito all'associazione di dati statistici i quali, di per sé, sono fortemente discutibili.

L'industria del tabacco sta spendendo più denaro nelle ricerche inerenti alla questione fumo e salute (ricerche condotte dal Comitato per le Ricerche sul Tabacco—USA e della Fondazione per l'Educazione e le Ricerche dell'Associazione Medica Americana), che non tutte le associazioni per la sanità messe insieme.

Sempre in tema di ricerca, la American Cancer Society ha fatto un considerevole sforzo per reclamizzare un esperimento che pretende dimostrare come 12 cani bracchi ai quali era stato somministrato il fumo di sigarette attraverso dei fori praticati nella trachea avessero contratto cancro del polmone del tipo che si riscontra negli esseri umani.

Il Vostro Presidente, nella sua qualità di Presidente del Comitato Esecutivo dell'Istituto del Tabacco, ha sfidato la American Cancer Society a metter i dati di laboratorio a disposizione di un gruppo imparziale di esperti per il loro esame. La Cancer Society si è rifiutata di farlo e pertanto la nostra sfida è stata resa di pubblico dominio ad una conferenza stampa tenuta a New York il 30 Aprile 1970. La posizione assunta dall'Istituto del Tabacco riguardo a questo esperimento è stata appoggiata in articoli di fondo da diversi importanti giornali, incluso il "New York Times."

Articoli descriventi l'esperimento furono offerti per la pubblicazione a due importanti giornali medici ed entrambi li rifiutarono. Il "Journal of the American Medical Association" declinò la pubblicazione dell'articolo dopo che esso fu esaminato da 18 autorità indipendenti.

Pur essendo tale articolo apparso adesso in una pubblicazione secondaria in forma riveduta e senza l'asserzione che i bracchi avevano contratto cancro del polmone dal fumo delle sigarette, noi riteniamo che i nostri sforzi siano valsi a dimostrare che tale esperimento non ha reale valore, come era stato inizialmente asserito dalla American Cancer Society. e che, inoltre, i dati scientifici sui quali spesso ci si fonda quando si mette sotto accusa il fumo delle sigarette, sono di dubbia validità.

E' ovvio che la controversia circa il rapporto tra fumo e salute è di natura tale che continuerà fino a che non si troverà risposta a molti, importanti interrogativi scientifici. Col passare del tempo, e dato che le accuse formulate contro la nostra industria rimangono senza prova, a lunga scadenza la nostra posizione dovrebbe migliorare, e nutriamo fiducia che l'intera questione potrà essere considerata in una migliore prospettiva nel futuro. Tuttavia, siccome siamo gente seria e responsabile, accogliamo di buona grazia tutte le serie e concrete occasioni che ci vengono offerte di cooperare con il governo ed altri enti nel campo fumo e salute. Desideriamo ricordare che noi abbiamo cooperato con la Commissione Federale per il Commercio nella messa in funzione dei suoi laboratori addetti alle analisi dei "catrami" e della nicotina. In effetti tale Commissione usa macchine per fumare inventate dalla Philip Morris. Il Vostro Presidente fu il primo ad offrire spontaneamente, per conto dell'industria, di eliminare la diffusione della pubblicità per radio e televisione. L'industria del tabacco ha altresì spontaneamente offerto di inserire nella pubblicità i dati quantitativi del "catrame" e della nicotina.

Ma, forse, la più valida e vasta risposta si è avuta nei cambiamenti che noi, come industriali, abbiamo apportato ai nostri prodotti. Le sigarette con filtro rappresentano oggi l'80% della produzione dell'industria. Nei sedici anni trascorsi dall'inizio della controversia sul rapporto tra fumo e salute, l'industria del tabacco ha considerevolmente ridotto il "catrame" e la nicotina presenti nelle sigarette. I nostri studi indicano che nel periodo sopraindicato il "catrame" presente nella sigaretta media è diminuito approssimativamente del 46% e la nicotina del 47%.

Questo senso di responsabilità nell'affrontare i problemi non è stato limitato esclusivamente al campo della salute. Nel corso di alcuni anni abbiamo eliminato tutte le attività reclamistiche presso le università e le inserzioni sui giornali universitari. Abbiamo smesso il ricorso nella pubblicità alle celebrità e ai campioni sportivi e l'uso dei loro attestati. Siamo stati noi stessi ad offrirci spontaneamente di scomparire dall'etere—un passo indubbiamente di grande importanza—nel tentativo di rischiarare l'atmosfera.

Inoltre, per quanto riguarda l'ambiente in cui viviamo, la Vostra società ha segnato un notevole progresso nell'anticipare e soddisfare i bisogni del pubblico, come pure le norme governative, in tutti i suoi impianti. Oltre 5 milioni di dollari della spessa prevista per la nostra nuova fabbrica di sigarette a Richmond sono destinati all'eliminazione dell'inquinamento industriale.

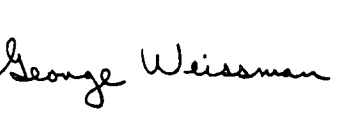
In altri argomenti di pubblico interesse, la Vostra società ha raggiunto un notevole successo nell'impiego delle minoranza etniche, ha aumentato la sua partecipazione all'assistenza alla istruzione pubblica e alle attività culturali ed ha impegnato una quantità considerevole di capitale e di personale nel fronteggiare la crisi urbana.

Siamo fieri dei nostri sforzi e dei progressi che abbiamo realizzato in tutti questi campi, ma ci rendiamo perfettamente conto dell'importanza dei compiti che ci attendono e della nostra responsabilità di contribuire alla loro realizzazione.

Una rassegna del decorso esercizio non si può considerare completa se non si rende adeguato tributo ai 27.000 e più impiegati che fanno parte della famiglia della Philip Morris in tutto il mondo. Ancora una volta, la loro abilità, devozione e lealtà si sono tradotte in prodotti di qualità, che riflettono la qualità del nostro personale.

Presentata rispettosamente
per il Consiglio di Amministrazione

Joseph F. Cullman, 3rd
Presidente del Consiglio
di Amministrazione



George Weissman
Direttore Generale

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Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

Packages of Marlboro, the company's leading brand, move along the production line.

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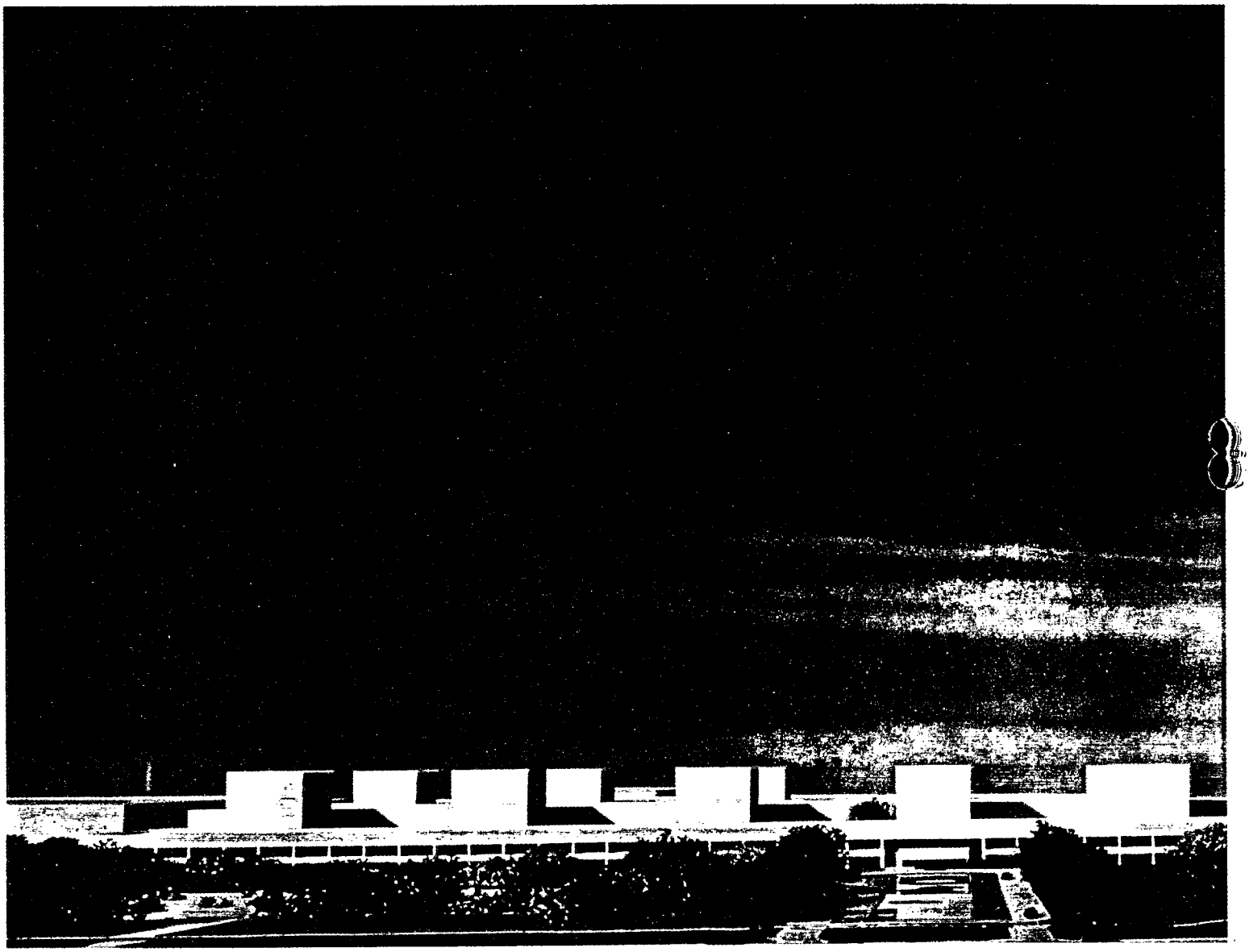
Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

	1970	1969	1968
Operating Revenues	$920,323,000	$800,949,000	$724,570,000
Operating Income	138,051,000	106,435,000	87,954,000



A model of the world's largest cigarette factory, under construction in Richmond.

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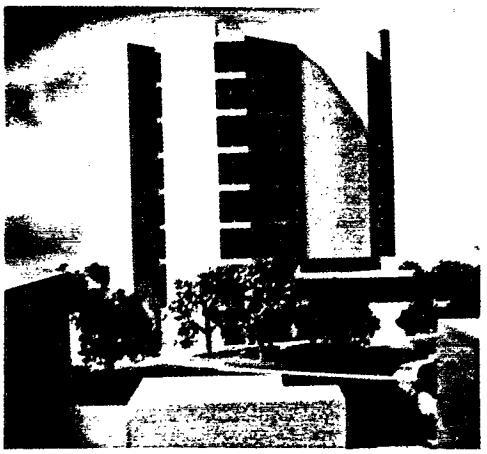
Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000



The new research and development tower, also being built in Richmond.

Philip Morris U.S.A. increased its unit sales during 1970 by 11.2% and expanded its share of the domestic cigarette market to 16.8% at year end.

Marlboro is our leading and fastest-growing brand. Our data indicate that it has become the second most popular brand in the United States market. Marlboro is already the number one American cigarette internationally.

At the year end, all our major filter brands showed improved sales—Marlboro, Benson & Hedges 100's, Parliament, Virginia Slims, and Multifilter.

Indicative of our confidence in the continued growth of our cigarette business and our dedication to the highest quality in all our products, we have started construction of the world's largest cigarette factory in Richmond, Virginia. At an estimated cost of $80 million, the factory will provide us with facilities to produce our quality products more efficiently, under the most rigorous controls. In addition, it will give us greater flexibility and capability for more sophisticated products as well as a substantial increase in our production capacity.

The architects, Skidmore, Owings & Merrill, have developed a unique, modern plant design that is as attractive as it is functional.

Located on a 125-acre site, adjoining our Richmond Operations Center, the new manufacturing facility will consist of an integrated group of six modern buildings emphasized by a series of ten towers. The main manufacturing area will provide a clear span larger than four football fields.

More like a university than a factory in setting and appearance, the new facility will blend effectively with the natural environment of the area. The design concept places major emphasis on providing the best possible working conditions. It will meet the growing needs of our increasing market share in the United States as well as for export.

Production in the new factory is scheduled to begin in 1974.

In June, we began construction of a $6 million research and development tower. This modern, eight-story addition to our research facilities in Richmond, Virginia, designed by Ulrich Franzen, will provide 90,000 square feet for research and associated activities. Floors will be devoted to chemical research, physical research, a modern technological library, a patent office, a technical planning and information facility, a 212-seat seminar lecture hall, and administrative office space. The modular design of the tower will provide maximum flexibility to meet constantly changing research demands.

100 millimeter cigarettes continue to be the fastest-growing segment of the market and now account for 18% of total sales in the United States. Philip Morris is the leading company in this field with our Benson & Hedges 100's, Marlboro 100's, Parliament 100's, and Virginia Slims.

Filter cigarettes represent 80% of all cigarette sales, and unit volume for this segment is growing at the rate of more than 5% a year. Some 97% of our sales were in the filter segment of the market.

With the end of television and radio advertising on January 1, 1971, we, as well as all our competitors, face a new challenge in the marketing of tobacco products. However, with our corporate experience in marketing cigarettes in many countries without radio and television, together with the momentum all our major brands are presently enjoying, we have confidence in our ability to continue our success pattern.

There has been considerable discussion regarding the monies that will now be available to the cigarette companies with the end of advertising on radio and television. In the past, the amount spent electronic media by the industry and by Philip Morris has been substantial. We s

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Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

continue an effective marketing program, but we are budgeting reduced advertising expenditures for our cigarette brands. The resultant savings will be in part diverted to some of our other domestic consumer products and to some of our overseas affiliates. The balance will be devoted to expanded research efforts and improved earnings.

The General Products Division of Philip Morris U.S.A. includes the American Safety Razor Company, best known for its Personna double edge and injector blade. Personna 74*, a new double edge and injector blade, the first made of Tungsten steel, represents an important technological breakthrough. This new blade is now being introduced. Tungsten steel is one of the hardest metals known to man; and, for the first time, a razor blade is able to use the toughness of Tungsten to produce the sharpest, most durable blade ever made.

The other component of the U.S.A. Division, the Clark Gum Company, which makes Teaberry, Cinnamint, Fruit Punch, Peppermint, and Spearmint, continued to increase its sales during 1970. The performance of the Di-et Smile brands was also encouraging.

Marlboro packages pause for inspection at a quality control station.

2048012245

Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

IRGINIA SLIMS

At the Virginia Slims Invitational Tennis Tournaments, the world's leading women tennis players have been drawing capacity crowds throughout the U.S.

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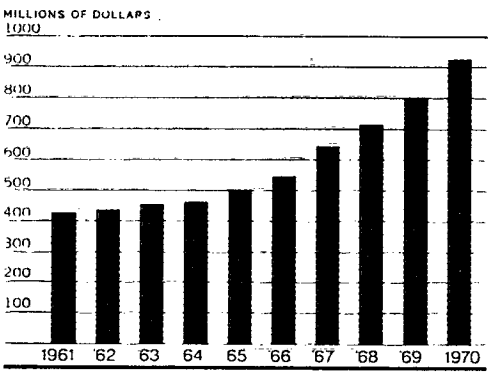
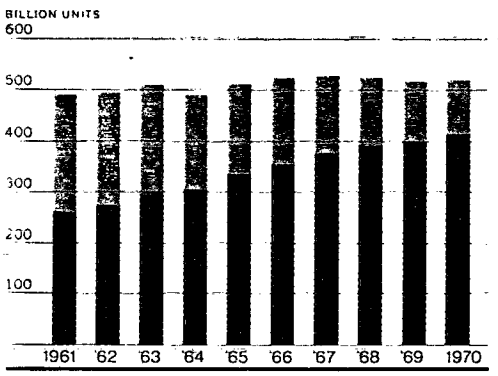
Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

Philip Morris U.S.A.
Operating Revenues Chart 1



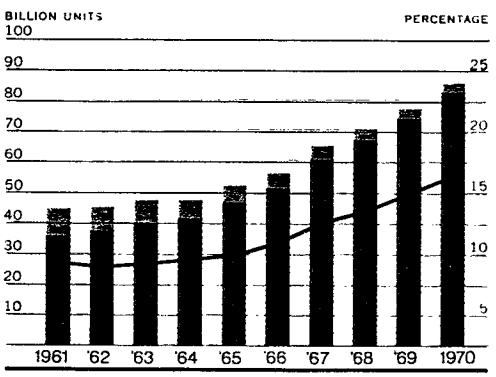
U.S. Cigarette Industry Unit Sales Chart 2

■ Total Filter Cigarettes ■ Total Non-Filter Cigarettes



Philip Morris U.S.A. Chart 3

■ Filter Cigarette Unit Sales
■ Non-Filter Cigarette Unit Sales
— Share of U.S. Industry (%)



Philip Morris U.S.A. Statistical Review

1. Operating Revenues of Philip Morris U.S.A. have increased at an average annual compounded rate of 8.3% since 1961.

2. The total U.S. cigarette unit sales in 1970 had an increase of 1.5% over 1969 but have shown little growth since 1961. The filter segment has grown at an average annual compounded rate of 5.3% in the last 10 years.

3. Philip Morris U.S.A. unit cigarette sales have grown at a 7.2% average annual compounded rate since 1961 and accounted for 16.8% of industry sales in 1970. Filter sales represent 97% of Philip Morris U.S.A.'s total unit sales.

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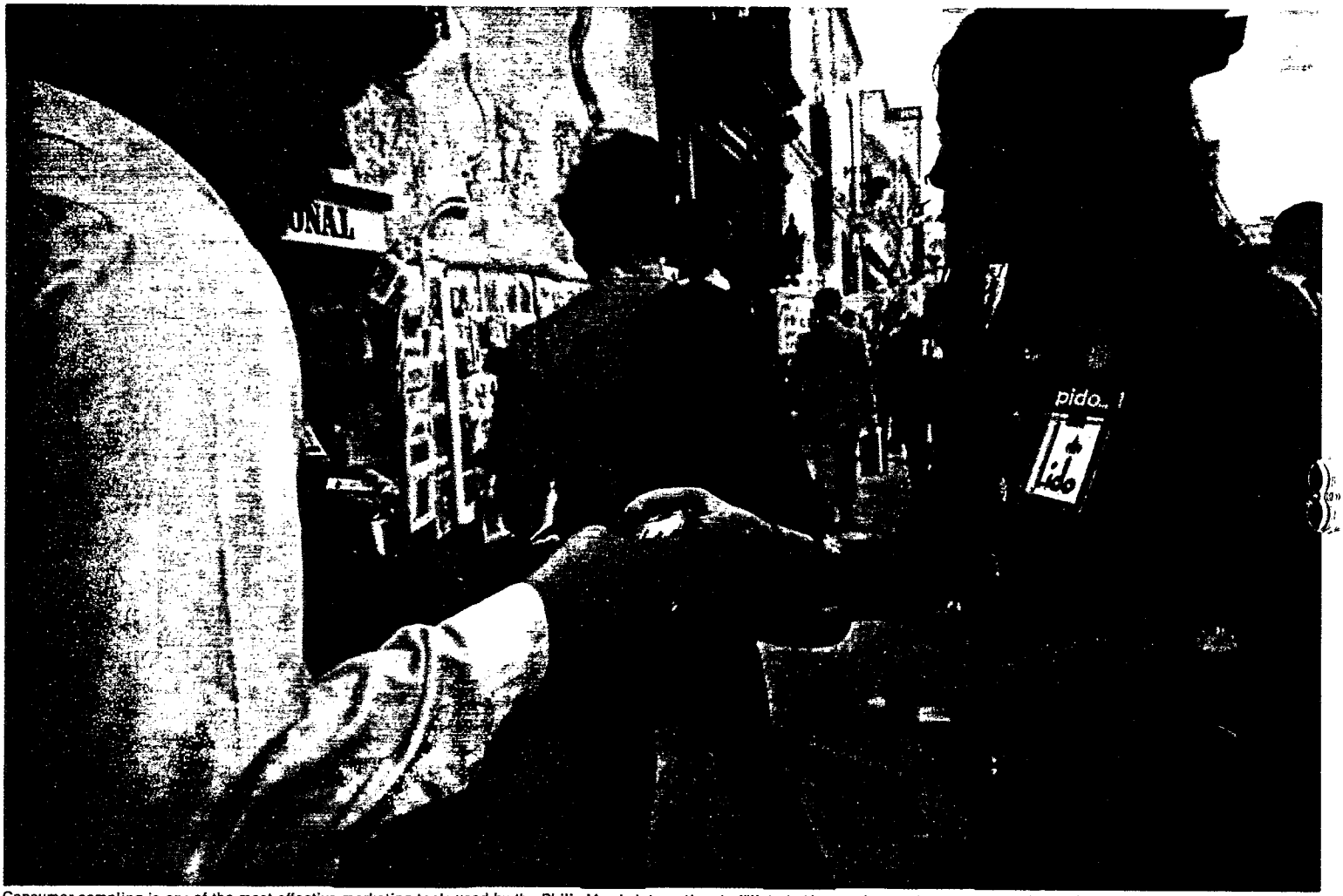
Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

The management group of Philip Morris Europe at the headquarters in Lausanne, Switzerland.

Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

2048012248

	1970	1969	1968
Operating Revenues	$424,800,000	$256,769,000	$211,702,000
Operating Income	54,167,000	38,717,000	31,391,000



Consumer sampling is one of the most effective marketing tools used by the Philip Morris International affiliate in Venezuela. In this case, the product is Lido, a leading brand in that country.

Philip Morris International achieved record results during 1970. Consolidated revenues were $425 million, an increase of 65.4% over 1969. This includes, for the first time, the sales of several of the company's affiliates which became wholly owned during the year. Operating income of $54 million was 39.9% above the prior year. The consolidated assets of this multi-national enterprise are $318 million.

We presently sell more cigarettes in Europe than in any other region. The European cigarette market is approximately equal to that of the United States, and our brands are steadily earning a larger market share. Philip Morris Europe, the headquarters for our European region, is located in Lausanne, Switzerland. The factories of our affiliates, Fabriques de Tabac Réunies S.A. in Neuchâtel, Switzerland, and Philip Morris Holland N.V. in Eindhoven, Holland, were expanded during the year and a new factory in Bergen op Zoom, Holland was acquired. Additional markets are served by licensees in Austria, Finland, and Italy. A new marketing company, Philip Morris Germany G.m.b.H., was established to further expand sales in Europe.

Godfrey Phillips' printing and publishing companies in the United Kingdom had another successful year in sales and earnings. Our greeting card business was augmented in May by the acquisition of the assets and business of Kaye Cards Ltd.

Our affiliate, Philip Morris Nigeria Ltd increased unit cigarette sales by 28% a expanded its facilities. Our Nigerian operation is one of our newer ventures a

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Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

Marlboro continues to maintain its strong position as the largest selling U.S. brand in Switzerland–and throughout the world. Pictured is a Marlboro store front sign in Switzerland.

has not yet become profitable. However, with the cessation of internal hostilities in Nigeria, we foresee significant growth in the country's national economy and the cigarette industry.

Our customers located in the eastern Mediterranean area and much of Africa are serviced through the Athens, Greece, offices of Philip Morris Overseas, Inc.

Benson & Hedges (Canada) Ltd. improved its market share and attained record sales and profits. In April, Benson & Hedges acquired Formosa Spring Brewery Ltd., a small brewery which markets its products in the Province of Ontario. A new brewery is now under construction and scheduled to be operational during 1972.

In the Latin American region, Massalin & Celasco, S.A.C. e I., our affiliate in Buenos Aires, Argentina, improved manufacturing efficiencies and obtained a 13% unit sales increase in the 11 months since cigarette advertising was banned on radio, television, and cinema. C. A. Tabacalera Nacional, our Venezuelan affiliate, continued its successful operation. Its Lido and Astor brands held leading positions in the market. Sales achieved by our Mexican affiliate, Cigarrera Nacional, S.A., during its first full year of operations were impressive; however, with continuing start-up costs and very low profit margins, the company has not yet achieved a profit.

In the Asia/Pacific region, the Australian operations of Godfrey Phillips Pty. Ltd. were merged into Philip Morris (Australia) Ltd. This Australian group achieved record sales, market share and profits. Godfrey Phillips, India, Ltd. significantly increased its sales volume, but inflationary increases in costs and expenses which were not

Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

Celebrating the expansion of the Benson & Hedges (Canada) plant in Ontario, The Honorable Stanley J. Randall, Minister of Trade & Development for the Province was among the speakers who addressed government officials and Philip Morris executives from all over the world.

recovered by price increases have adversely affected profit growth. Our affiliates in India, Pakistan, Malaysia, and New Zealand provide a basis for continued affiliate progress in this region. Sales of our products manufactured under license in the Philippines continue to be significant, but repatriation of funds from the Philippines presently is restricted.

Our worldwide sales organization and network of distributors in more than 150 countries and territories again achieved record cigarette exports from the United States. This was accomplished despite higher import duties, numerous non-tariff trade barriers, and the larger volume of our products being manufactured by affiliates and licensees.

Philip Morris products are now available in almost every country and territory of the world through exports, licensing arrangements with prominent cigarette manufacturers, and our affiliates. This positions us well for future growth. The total free-world cigarette market is three times larger than that of the United States and is growing at the rate of approximately 4% per year. This provides a vast market for future sales opportunities.

In Africa, the Target brand of Philip Morris Nigeria Limited continues to increase its market share.

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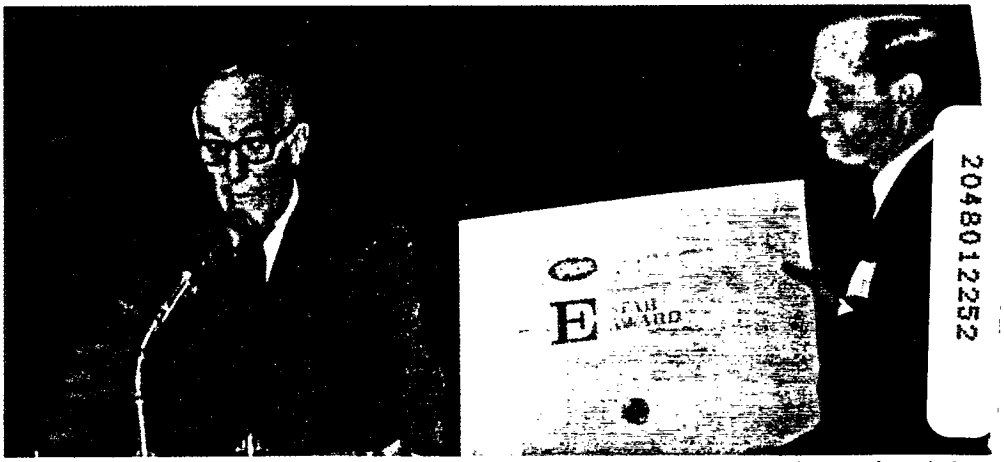
Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

The interior of the Philip Morris plant in Australia, where Philip Morris (Australia) achieved record sales in 1970.



Philip Morris International received President Nixon's "E Star" Award "For continued superior performance in marketing."

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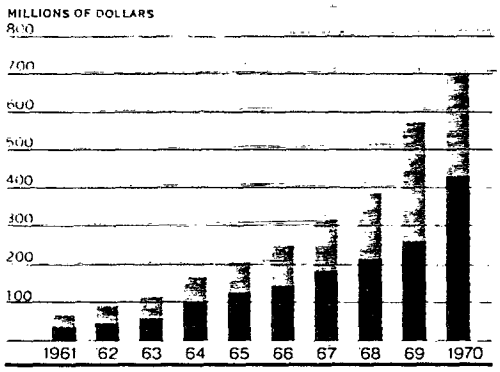
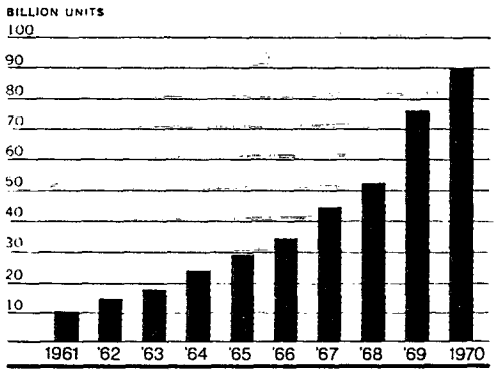
Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

Philip Morris International
Operating Revenues Chart 1

■ Consolidated
▒ Unconsolidated

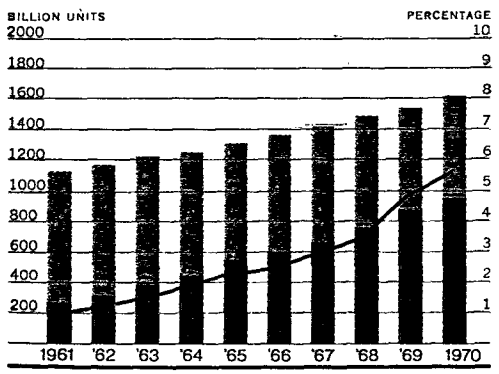


Philip Morris International
Cigarette Unit Sales Chart 2
(Export, Affiliates, Licensees)



Total Free-World Cigarette Unit Sales Chart 3
(Excluding U.S.A.)

■ Total Filter Cigarettes ▒ Total Non-Filter Cigarettes
— Philip Morris Share of Free World Market (%)



Philip Morris International Statistical Review

1. Consolidated Operating Revenues (excluding affiliates not wholly owned) of Philip Morris International have increased at an average annual compounded rate of 29.9% since 1961. During 1970, certain affiliates became wholly owned, and this had the effect of increasing consolidated revenues by $87 million. Operating Revenues of our consolidated and unconsolidated affiliates have increased at an average annual compounded rate of 27.5% since 1961.

2. Philip Morris International's unit sales of cigarettes through affiliates, licensees, and exports in more than 150 countries and territories have grown at an average annual compounded rate of 27.2% since 1961 with 80% now in filters.

3. Total cigarette sales throughout the free world, excluding the United States, are approximately 1.6 trillion units and have grown at an average annual rate of 4.2%.

2048012253

Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

Bottles of Miller Beer move along the line. Miller revenues and barrel sales reached new highs in 1970.

2048012254

Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

	1970	1969	1968
Operating Revenues	$198,479,000	$193,541,000	$181,373,000
Operating Income	11,409,000	15,374,000	18,065,000

In August of 1970, the remaining 47% minority interest in the Miller Brewing Company was acquired by Philip Morris for $97 million in cash and notes, and Miller is now a wholly-owned operating company of Philip Morris Incorporated.

Despite a number of problems in 1970, Miller's operating revenues and barrel sales were slightly higher than the 1969 levels and reached all-time peaks. Operating income, however, decreased due to higher manufacturing costs, increased marketing expenditures, and the considerable price cutting that occurred in many areas of the country.

One of the most important factors influencing Miller's 1970 results was the continuing adverse effect of the 1969 strike in Milwaukee which affected some 80% of the company's capacity. This resulted in a considerable loss of distribution, shelf-space, and on-premise availability for Miller High Life Beer which was only partially regained in 1970. A noticeable slowdown of overall industry sales during the latter part of the year and a decline in military sales overseas were other adverse factors. Finally, there were a number of strikes affecting the company's distributors in the Midwest, New York, and California.

Miller Brewing Company moved from eighth to seventh place in industry barrel sales in 1970, and Miller High Life is believed to be the sixth largest-selling beer brand in the United States. We are encouraged that Miller has been able to

Copper brewing kettles at Miller's Milwaukee brewery.

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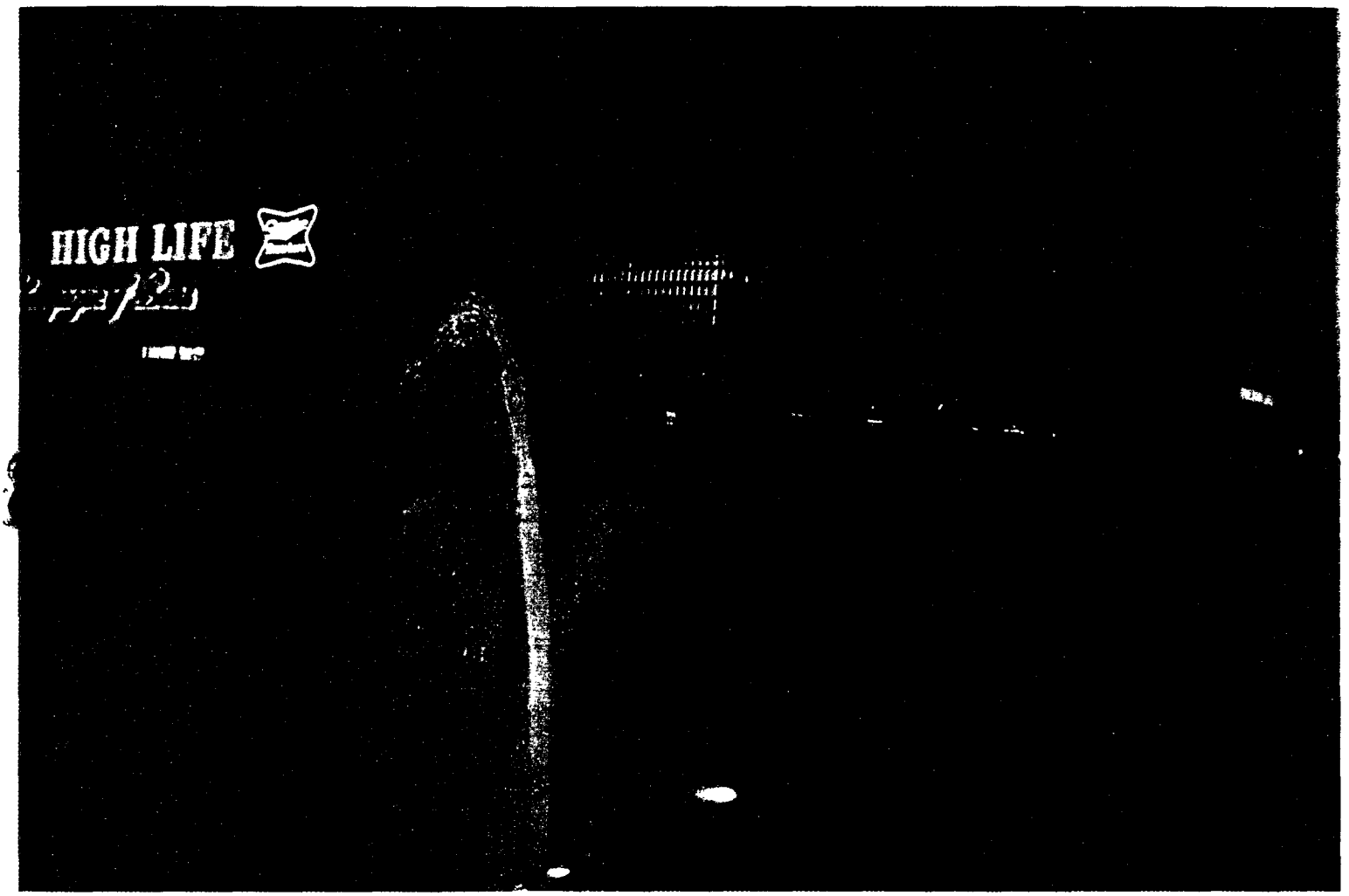
Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000



A nighttime view of the Miller brewery in Fort Worth, Texas, which is currently being enlarged.

increase its sales in both 1969 and 1970 in spite of many adverse factors that affected its business in both years. We are not satisfied, however, with its present rate of growth. Many steps are being taken to improve and enlarge its overall marketing programs.

Miller has now engaged the services of cCann-Erickson, an international dvertising agency, whose wide range of ervices should enable Miller High Life to compete more effectively in the growing premium beer markets.

During the year, the Miller sales organization was restructured to work more effectively with the company's network of 750 independent beer wholesalers who sell Miller High Life in all 50 states.

We believe the long-range potential of Miller will best be served by increasing its share of the growing premium beer market rather than by emphasizing short-term profit goals.

Modern and efficient manufacturing facilities are required to offset rapidly rising costs and to meet anticipated consumer demand. During 1970, initial steps were taken to enlarge the capacity of our Fort Worth brewery by 300,000 barrels, and a site was purchased in Newark, Delaware for the future construction of an easter brewery.

We believe the tradition of product excellence established by Frederick M in 1855 provides a solid foundation for building additional sales and earnings the coming decade for Miller Brewing Company.

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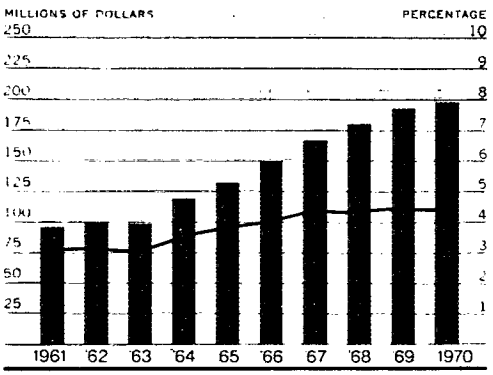
Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

Miller Brewing Company
Operating Revenues ■
Share of Total Industry (%) —

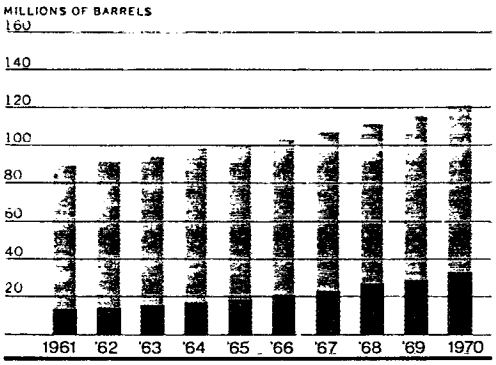
Chart 1



Domestic Beer Industry Unit Sales

Chart 2

▒Regional and Non-Premium Beer (estimated)
■Nationally Distributed Premium Beer (estimated)



Miller Brewing Company Statistical Review

1. Operating Revenues of Miller Brewing Company have grown at an average annual compounded rate of 8.6% since 1961. Miller has 4.3% of the total beer market.

2. The total beer industry's unit sales have grown at a 3.2% average annual compounded rate since 1961. The premium beer segment has grown at a rate of 9.0% during the same period.

2048012257

Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

At Nicolet Paper, this river of pulp will be refined into specialty paper.

2048012258

Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

	1970	1969	1968
Operating Revenues	$85,875,000	$84,655,000	$83,574,000
Operating Income	6,049,000	5,392,000	6,814,000

At Polymer, a chemist treats synthetic fibers with specialty chemicals.

Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

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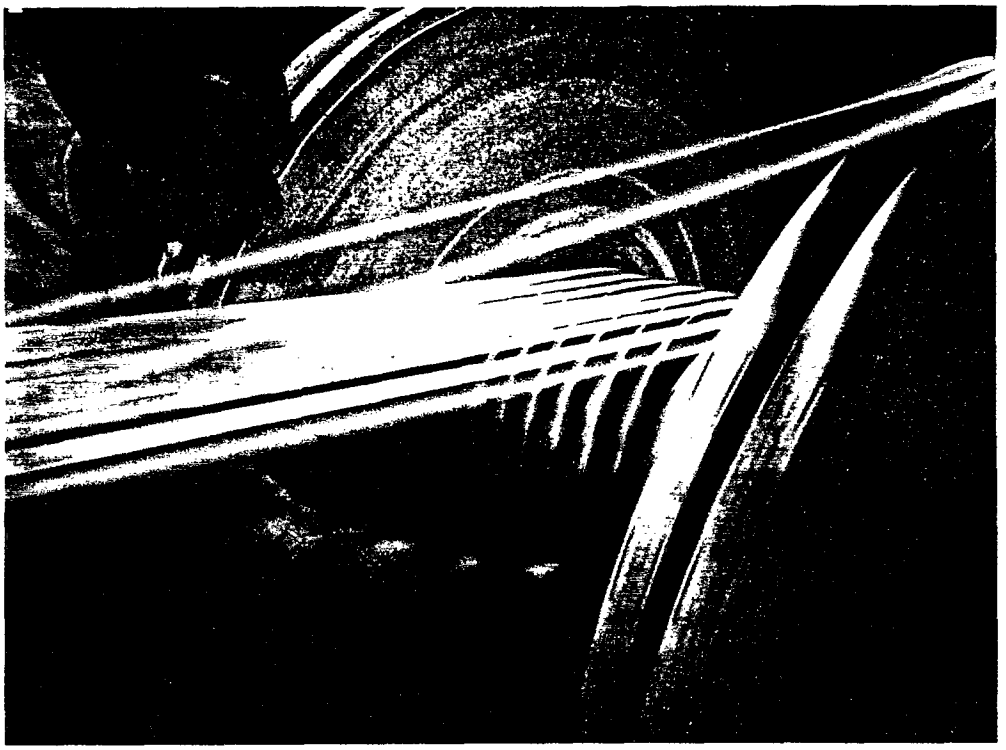
Quality inspection of specialty papers at Plainwell Paper.



Quality labels are produced at high speed at Milprint.

Philip Morris Industrial increased its sales and earnings in 1970. This was achieved despite the state of the economy which had a considerable adverse effect on the sales and earnings of the packaging, paper, adhesive, and specialty chemical businesses.

Milprint's performance in the flexible packaging industry was especially encouraging and indicated that the new management structure will be an important factor in the future progress of the company. This division, which accounted for 70% of Industrial's sales in 1970, seems well placed to move ahead in the somewhat improved economic conditions anticipated for 1971 and beyond.

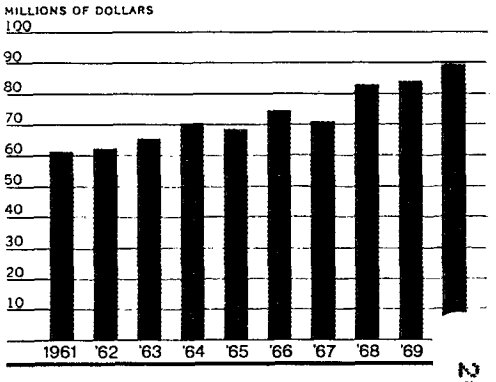
Nicolet increased its production of [illegible]ssine, greaseproof, and specialty papers [illegible]d had a strong year in sales although [illegible] profit margins were eroded by sharply rising costs.

In December, 1970, a small paper mill was acquired in Plainwell, Michigan. It is equipped to manufacture products that broaden our line of specialty paper products. Nicolet's future sales and earnings should benefit from this acquisition.

Polymer Industries continued to show good gains in sales and earnings, both of which reached new peaks. Increased sales of specialty chemical products to the packaging and textile industries continue to benefit from Polymer's technological competence. The company is now also finding a growing market for its products in Europe.

Philip Morris Industrial's steady performance in the troubled economy of 1970 augurs well for the future.

Philip Morris Industrial
Operating Revenues



Philip Morris Industrial Statistical Rev
Operating Revenues of Philip Morris Industrial have increased at an average annual compounc rate of 3.4% since 1961.

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Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

An arterial highway under construction adjacent to Mission Viejo's new town in Orange County, California.

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Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

Mission Viejo Company, in which Philip Morris made a major investment and obtained operating control in January, 1970, had a satisfactory year despite the depressed economic conditions in Southern California and the serious shortage and high cost of mortgage money.

Mission Viejo is developing a new town on approximately 11,000 acres located between Los Angeles and San Diego. The first homeowner arrived in 1966, and the population currently exceeds 14,000, making this one of the fastest-growing new towns in the United States. Plans call for an eventual population of 100,000 within the next 20 years. In addition to the 3,800 houses already occupied, there are commercial, industrial, and extensive educational and recreational facilities.

Nationally, the homebuilding industry was severely affected by the 1970 business downturn. The rate of housing starts dropped as mortgage interest rates, housing costs, and unemployment increased. The Southern California economy was particularly hard hit as layoffs in aerospace and defense industries raised unemployment in that area well above the national level.

For Mission Viejo, however, 1970 was another year of achievement, and the company recorded the highest total sales of any home builder in Orange County.

Two more elementary schools were completed during the year for a total of five. Another recreation center, a medical center, a county library, a motion picture theater, a permanent fire station, and a 144-unit apartment project were also added. The Saddleback Junior College in Mission Viejo with more than 2,000 students, now housed in temporary buildings, allocated $4 million to build a permanent campus. Seven and a half miles of arterial highway now link the north-south axis of the community.

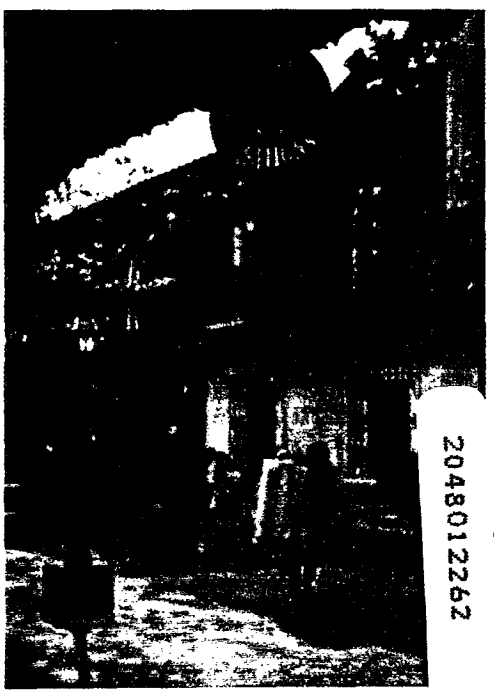
Schools, playing fields, and recreational centers play a major role in community life in Mission Viejo.

In its first venture outside Southern California, Mission Viejo Company has agreed with a large land developer to build 850 residential units in a 450-acre planned community in the Tempe suburb of Phoenix, Arizona. Construction of the model homes was started in December of 1970, and the first sales of houses are expected in the summer of 1971.

The selection of Mission Viejo for this program is indicative of the reputation the company has established for its successful community planning and development, its architectural excellence, and the basic soundness of its houses.

A number of other companies with available land for development have approached Mission Viejo in connection with other projects similar to the one in Phoenix. Such projects, requiring limited capital investment and offering attractive potential returns, will represent a sound extension of the company's activities.

Mission Viejo is gaining national recognition as an outstanding land development company with an imaginative and creative management and fine capability in the home building and new community fields. We believe it will give Philip Morris an opportunity for further growth in this large and important industry, which satisfies a basic and unfulfilled consumer need.



A Mission Viejo shopping center.

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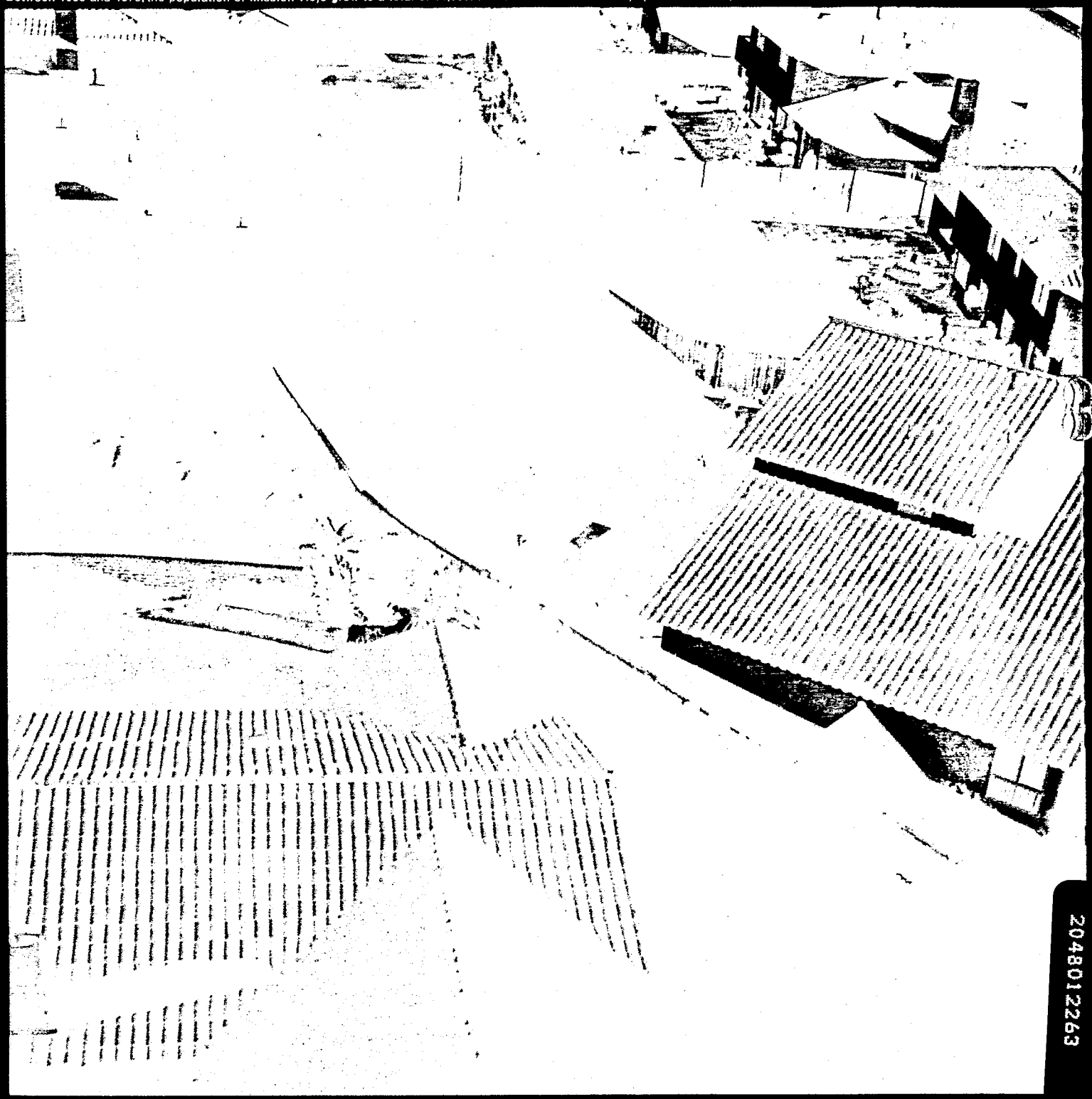
Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

Between 1966 and 1970, the population of Mission Viejo grew to a total of 14,000. Plans call for an eventual population of 100,000.



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Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

"The head of a corporation is remiss in his stewardship if he fails to move his corporation into closer general involvement with the needs of the community. The need for social involvement of business is today an indisputable fact of American life. This goes beyond corporate philanthropy. It means that we can have a basic impact on society in the very ways in which we do business—where we build—whom we employ—how we protect the environment.

"I believe a study would show that those corporations, which are strongly committed to an enlightened course of social responsibility, are also the ones which are most successful in business. The company that is sensitive to its role in the community indicates that it has the type of leadership and imagination necessary for success. If American business should ever become anything less than dynamic and innovative, society will surely outgrow us; and we will become a fossilized relic of the past.

"For America to fulfill its destiny, every influential sector in our society must be dedicated to creating a better life for all the people. Business will do its share as long as it can continue to attract young men and women of high quality, who are activists and well motivated."

Joseph F. Cullman, 3rd
Chairman of the Board
Philip Morris Incorporated

University of Virginia
December 8, 1970

"Cities have traditionally been the home of business and industry in America. However, the flow of people, of jobs, and capital out of the city is inflicting great hardships upon urban communities all across the nation.

"It is inherently unsound that the city which contributes so much to our economy and general well-being should be exploited this way. It is also dangerous; for as goes the health and tenor of the city, so the health and tenor of the adjoining areas."

Ross R. Millhiser
President, Philip Morris U.S.A.

Richmond Rotary Club
Richmond, Virginia
October 20, 1970

"I am optimistic for the future because I have faith in the realism of our leaders, in and out of the business community. We can minimize the confrontations, ameliorate grievances, avoid violence... only if we have the understanding that befits our positions.

"We can effectively exercise the leadership our positions give us, only if we meet the expectations and anticipations of our people. We, as a nation, cannot exist if we promise peace and give war, promise prosperity and tolerate poverty, promise freedom and allow repression, promise equality but condone segregation."

George Weissman
President
Philip Morris Incorporated

Baruch College Dinner
New York, New York
May 14, 1970

"By the year 2000, the world's population will be approximately 7 billion—nearly twice what it is today. This burgeoning growth imposes serious demands upon us and our environment. Unless we learn to manage better, unless we show more reverence for the limited space in which we live, unless we educate ourselves and our children to cope with it, we will face insoluble problems. We can no longer tolerate any lack of respect for our environment."

James C. Bowling
Vice President
Philip Morris Incorporated

President, Keep America Beautiful, Inc.

International Convention, Keep America Beautiful
New York, New York
November 6, 1970

"American corporations expecting to do business successfully in other countries must make a special effort to become responsible citizens of the host countries. Our affiliates around the world make a special effort to do so.

"We must always bear in mind that our success is dependent upon more than manufacturing and marketing the finest products at reasonable prices—that is expected of us.

"It is incumbent upon the multi-national corporation to be in the vanguard of those who help improve the quality of life as well as elevate the standards of technology."

Hugh Cullman
President
Philip Morris International

Naval Academy Association of New York
April 21, 1970

"With the growth of consumerism, the buying public is becoming more demanding than ever before. We are, of course, expected to manufacture and market products of high quality at a reasonable cost, but that is not enough. In today's world the corporation must also show its interest and involvement with social issues and be an instrument for creating a better life for all citizens.

"Miller Brewing Company accepts this responsibility, and we are going to meet the new challenges and demands that society places upon us."

B. William Kostecke
President
Miller Brewing Company

Miller National Sales Meeting
Boca Raton, Florida
January 28, 1971

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Joseph F. Cullman, 3rd

Alfred Brittain III

James C. Bowling

Chandler H. Kibbee

Hugh Cullman

George Weissman

Dr. J. A. Cordido-Freytes

J. Harvie Wilkinson, Jr.

John E. Cookman

T. Newman Lawler

Directors

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Vice President

Alfred Brittain III
President
Bankers Trust Company

Andrew C. Britton
Vice President

John E. Cookman
Senior Vice President and
Chief Financial Officer

Dr. J. A. Cordido-Freytes
President
C. A. Tabacalera
Nacional

Hugh Cullman
Executive Vice President

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Chairman of the Board and
Chief Executive Officer

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Dammann & Heming
Attorneys-at-Law

Dr. Jess H. Davis
President, Stevens
Institute of Technology

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Richardson-Merrell Inc.

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Mission Viejo Company

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United Virginia Bank/
State-Planters
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Virginia Bankshares

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Howard S. Cullman
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Arthur Snapper
Member, Advisory Board

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Chief Executive Officer

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Chief Operating Officer

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Strategic Planning

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Executive Vice President

Hugh Cullman
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Senior Vice President and
Chief Financial Officer

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General Counsel,
Secretary

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Vice President
Assistant to the Chairman
of the Board and Director,
Corporate Affairs

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Vice President

Clifford H. Goldsmith
Vice President

S. Lyle Graham
Vice President—Person

John T. Landry
Vice President

George W. Macon, Jr.
Vice President

Hamish Maxwell
Vice President

John A. Murphy
Vice President

Philip J. Reilly
Vice President

2048012265

Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

Clifford H. Goldsmith

Richard W Dammann

Dr. Jess H. Davis

Andrew C. Britton

H. Robert Marschalk

Edward Lasker

James E. West

Paul D. Smith

Lewis F. Powell, Jr.

Ross R. Millhiser

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Vice President

Fred M. Stefan
Vice President

Dr. Helmut R.R. Wakeham
Vice President

C. Gilbert Collingwood
Treasurer

Walter F. Sperber
Controller

[illegible]es G. Gilleran
[illegible]stant Controller

[illegible]h C. White
[illegible]sistant Treasurer and
Assistant Secretary

Stephen F. W. Ball
Assistant Treasurer

Mary E. Russell
Assistant Secretary

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R. R. Millhiser
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J. H. Wilkinson, Jr.

Counsel

Conboy, Hewitt, O'Brien & Boardman
20 Exchange Place
New York, N.Y. 10005

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G. Weissman
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H. Cullman
C. H. Goldsmith
C. H. Kibbee
B. W. Kostecke
R. R. Millhiser
P. D. Smith
F. M. Stefan
G. Weissman

Stock Transfer Agents

Morgan Guaranty Trust Company of New York
30 West Broadway
New York, N.Y. 10015

United Virginia Bank/ State-Planters
900 East Main Street
Richmond, Va. 23214

Auditors

Lybrand, Ross Bros. & Montgomery
2 Broadway
New York, N.Y. 10004

Stock Registrars

First National City Bank
55 Wall Street
New York, N.Y. 10015

Chemical Bank
20 Pine Street
New York, N.Y. 10015

Virginia Trust Company
821 East Main Street
Richmond, Va. 23214

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Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

Philip Morris U.S.A.
100 Park Avenue, New York, New York

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Clifford H. Goldsmith, *Executive Vice President*
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Vice President-Research and Development
Donald S. Harris,
Vice President-Media and Programming
Jetson E. Lincoln,
Vice President-Finance and Planning
Russell N. Freund, *Vice President-Personnel*
Alex J. Kay, Jr., *Controller*

Tobacco Products

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Senior Vice President-Operations
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Group Vice President-Director of Marketing
Max L. Berkowitz,
Vice President-Assistant Director of Marketing
George W. Macon, Jr., *Vice President-Leaf*
Benjamin A. Soyars,
Vice President-Manufacturing

General Products Division

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Burma-Vita Company
Clark Gum Company
The Lightfoot Company
Charles H. Wilson, *Vice President*
William P. Kerr,
President-The Lightfoot Company

Medical Products Division

Richard D. Robertson, *Vice President*

Philip Morris International
100 Park Avenue, New York, New York

Hugh Cullman

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Regional Vice President-Latin America
Hamish Maxwell,
Regional Vice President-Asia/Pacific
Ronald H. Thomson,
Regional Vice President-Europe
Antonio Toledo,
Regional Vice President-Canada and Latin America Export Sales
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Carlos E. Salguero,
Vice President-New Development
M. J. Adler, *Vice President-Operations*
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Robert A. White, *Vice President-Finance*

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Fabriques de Tabac Réunies S.A.
Neuchâtel, Switzerland
Philip Morris Holland N.V.
Eindhoven, Holland
Bergen Op Zoom, Holland
Philip Morris Germany G.m.b.H.
Frankfurt, Germany
Philip Morris Sweden AB
Stockholm, Sweden
N. V. Philip Morris, S.A.
Bornem, Belgium

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Albert E. Bellot, *Executive Vice President*
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Staffan Gunnarsson, *Area Director*
I. C. Ludwig, *Area Director*
John T. McKenzie, *Area Director*
Paul Isenring, *Area Director*
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Managing Director-Clark Gum Company
Jorg von Wyss, *Director of Operations*
Witold Grunbaum, *Director of Operations*
Walter Thoma,
Director of Finance & Administration
Richard W. Stone, *Director of Marketing*

Philip Morris Ltd.
Godfrey Phillips Ltd.
London, England

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R. E. F. Baker, *Director*
D. P. C. Harris, *Director*
D. H. Kelting, *Director*
P. M. Steele, *Director and Secretary*

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Lagos, Nigeria

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Chairman and Managing Director
Godfrey K. J. Amachree, *Director*
E. J. Buck, *Director*
D. Lincoln-Gordon, *Director*

Philip Morris Overseas, Inc.
Athens, Greece

W. R. Dales, *Sales Director-Middle East*

Philip Morris (Australia) Ltd.
Philip Morris Limited
Godfrey Phillips Pty. Ltd.
Melbourne, Australia

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Lisle J. T. Jones, *Director*
Ronald E. Kneale, *Director*
Philip U. Lovett, *Director*
Kenneth W. Schultz, *Director*
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Bombay, India

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A. B. Bilimoria, *Director*
D. J. Castrinakis, *Director*
R. A. Shah, *Director*

Godfrey Phillips (Malaysia) Sendirian Berhad
Kuala Lumpur, Malaysia

T. M. B. de Ponti, *Director*

Godfrey Phillips (New Zealand) Ltd.
Wellington, New Zealand

Frank W. Littlejohn, *Managing Director*

Premier Tobacco Industries Ltd.
Karachi, West Pakistan
(Associated Company)

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Benson & Hedges (Canada) Ltd.
Toronto, Canada

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Oscar Y. Primeau, *Vice President*
John R. Pritchard, *Vice President*
Norman B. Wright, *Vice President*
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Director of Finance and Treasurer
Paul Bienvenu, *Director*
Robert B. Chisholm, *Director*
George E. Mara, *Director*

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William Stevenson, *Director*
W. Denis Whitaker, *Director*

Formosa Spring Brewery Ltd.
Formosa, Ontario, Canada

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Earl K. Brownridge, *President*
Harold F. Powell, *Executive Vice President*
William S. Oliver, *Vice President*
J. A. F. Miller, *Director and Secretary*

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Caparra Heights, Puerto Rico

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Antonio Toledo, *President*
John E. Margetts,
Vice President and General Manager

Proveedora Ecuatoriana S.A.
Quito, Ecuador

Fernando Donoso,
Director and General Manager
Thomas C. Wright, *Director*

Cigarrera Nacional, S.A.
Mexico, D. F., Mexico

[redacted] R. Kraiem, *President*
[redacted]am A. Saupe, *General Manager*
[redacted] Fernando Hanhausen,
[redacted]*ctor and Secretary*
Austin Lorenzo, *Finance Manager*
Enrique Rodriguez-Escalona,
Marketing Manager
Erik Scholte-Ubing, *Operations Manager*

Tabacalera Centroamericana, S.A.
Guatemala, Guatemala

Alfonso A. Sobalvarro, *President*
Allen A. Schumer, *General Manager*
Lic. Jorge Skinner-Klee, *Director and Secretary*
Alvaro Delgado Wyld, *Director*

Productos Clark de Centroamerica, S.A.
Guatemala, Guatemala

Douglas R. Pilling, *General Manager*
Lic. Jorge Skinner-Klee, *Director and Secretary*

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Santiago de los Caballeros, Dominican Republic

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Fernando A. León, *Director*
Carlos Guillermo León, *Director*
Jose A. León, *Director*
Dr. Federico Carlos Alvarez, h., *Director*

South America
Hans W. Kolbe, *Area Director*

C. A. Tabacalera Nacional
Caracas, Venezuela

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Hans W. Kolbe, *General Manager*
Roger V. D. Booth, *Assistant General Manager*
Jorge Blohm, *Vice President and Director*
[redacted] Morton Blumberg, *Vice President and Director*
[redacted]

Andres Boulton, *Vice President and Director*
Eugene Capucio, *Vice President and Director*
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Massalin & Celasco, S.A.C. e I.
Buenos Aires, Argentina

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Horacio E. Celasco, *Vice President*
Richard A. Hutchinson, Jr., *General Manager*
Dr. Francisco J. Celasco, *Director*
Danilo P. Massalin, *Director*
Pedro C. Massalin, *Director*
Dr. Damian Beccar Varela, *Director*

Miller Brewing Company
4000 West State Street
Milwaukee, Wisconsin

B. William Kostecke

Charles W. Miller, *Chairman*
B. William Kostecke, *President*
John F. Savage,
Executive Vice President, Secretary & General Counsel
Harold C. Cushenbery,
Vice President, Director of Marketing
Charles H. Day,
Vice President, Director of Operations
Eugene J. Hayman,
Vice President, Director of Industrial Relations
Robert H. Lindstrom, *Controller*
Clement G. Meyn,
Master Brewer, Director of Staff
Phil A. Grau, *Assistant Secretary*

Philip Morris Industrial
622 North Cass Street
Milwaukee, Wisconsin

Fred M. Stefan

Fred M. Stefan, *President*
Edward B. Kime, *Vice President*
F. James Short, *Vice President*

Milprint Inc.
4200 North Holton Street, Milwaukee, Wisconsin

James B. Kurtzweil, *President*
Max G. Kocour, *Executive Vice President*
Thomas V. Stoll,
Executive Vice President & Treasurer
Ralph J. Becker, *Vice President*
John P. Halan, *Vice President*
Walter J. Hullinger, *Vice President*
Jack R. Jewell, *Secretary*

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West DePere, Wisconsin

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T. Richard Probst, *Vice President*
Horace B. Faber, Jr., *Vice President*
William L. Goggins,
Controller & Assistant Treasurer

Plainwell Paper Company, Inc.
200 Allegan Street, Plainwell, Michigan

Donald V. Martin, *Vice President*

Polymer Industries, Inc.
1200 High Ridge Road, Stamford, Connecticut

Richardson Thurston, *President*
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Raymond T. Clarke, *Vice President*
Albert E. Cohen, *Vice President*
James S. Zoller, *Vice President*
Warren D. Fletcher, *Controller-Treasurer*

Mission Viejo Company
26137 La Paz Road
Mission Viejo, California

Philip J. Reilly

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Jerome Moiso, *Director*
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Robert E. Osborne, *Vice President, Construction*
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Philip L. Charlton, *Director of Planning*
Thomas D. Colvin, *Controller*

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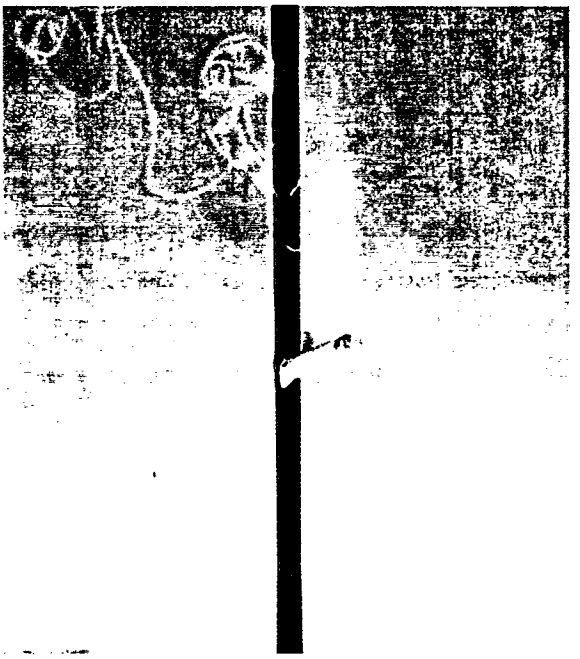
Philip Morris Advertising

Pictured here are examples of Philip Morris print advertisements—for major cigarette brands in the United States and worldwide, as well as for Miller Beer. Strong brand identification characterizes Philip Morris advertising around the world.



Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

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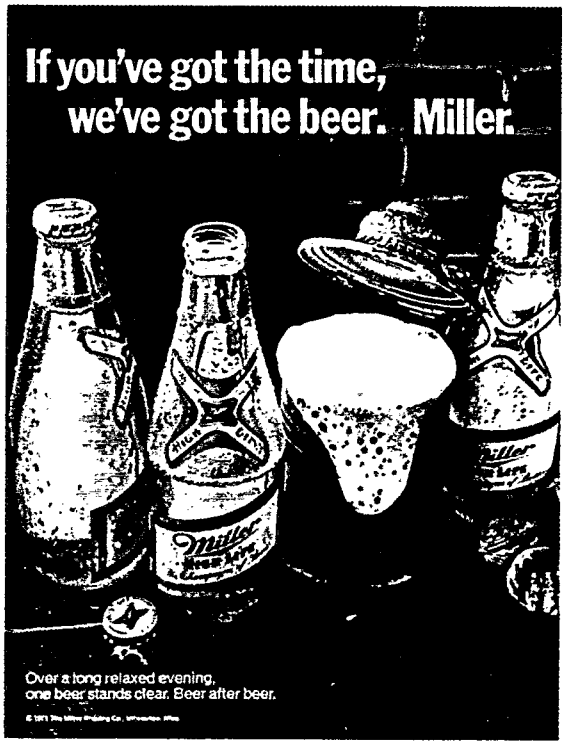

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Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

The accompanying table illustrates the increase in revenues, pre-tax income, and earnings per share for the past 5, 10 and 15 year periods. The five-year compounded growth rate in earnings per share of 23% per year clearly establishes Philip Morris as a major growth company.

During the year, several affiliated companies were consolidated with the parent as a consequence of becoming wholly owned, and consolidated revenues were thereby increased by $166 million in 1970. This had the effect of interrupting the trend of improving profit margins which, on a comparable basis, would have continued to show a good improvement in 1970 (chart #1). We continue to stress greater efficiency in our manufacturing facilities combined with the highest possible quality of our products.

The company increased its capital expenditures to a record level of $40 million in 1970, as compared with $24 million in 1969. Retained earnings and depreciation continue to be well in excess of capital expenditures (chart #2).

For 1971, our capital expenditures should approach $60 million and will in all probability be greater in subsequent years. We are projecting that retained earnings and depreciation will exceed these expenditures.

In view of our rapidly expanding business, we believe a continuation of our conservative dividend policy is in the best interest of our stockholders (chart #3). In November, 1970, the Directors voted to increase the quarterly dividend from $.25 to $.30 per share. This was the third consecutive year in which the dividend has been increased, however, the dividend paid out in 1970 amounted to only 31% of per share earnings resulting in a large increase in stockholders equity.

Additionally, we believe that our stockholders benefit from our conservative dividend policy due to the high pre-tax return on stockholders equity which continues to increase (chart #4) and was approximately 33% in 1970. This was higher than the average of the 30 Dow Jones Industrial companies and well above the median for the consumer goods industry.

The expanding nature of our business, worldwide, requires constantly larger inventories, principally consisting of leaf tobacco. At December 31, 1970, inventories were $121 million greater than in the prior year. At the same time, total senior debt expanded only $10 million and continues to be well below total inventories (chart #5).

Senior long-term debt increased only slightly during the year, while the ratio of senior long-term debt to equity was further reduced to 39% from a high of 62% in 1967 (chart #6).

The ratio of total long-term debt, including subordinated debt, to equity was 82% which, we believe, represents an optimum utilization of debt and enhances the per share earnings growth. Our sinking fund requirements are quite small for the next several years and, except for the Eurodollar revolving credit, we have no debt maturities until 1979.

During 1970, approximately $44 million of subordinated convertible debentures were converted to common stock. The aggregate of these debentures at December 31, 1970, was $120 million out of an original amount of $165 million.

At the present time, the company plans no long-term financing in the U.S. As a result of the U.S. balance of payments program, it may be advisable within the next few years to sell medium- to long-term notes in the Eurodollar market to reduce the outstanding borrowing under our revolving credit agreement which was established to provide Eurodollars under the U.S. balance of payments program.

We recognize the importance of maintaining a favorable balance of payments for the U.S., the present program, however, appears to be essentially a near term expedient. For the longer term, it would seem essential that present policy be revised to achieve a more permanent solution to the U.S. problem.

During a year marked by some of the most serious financial crises of the past several decades, Philip Morris was fortunate to be in a highly liquid condition. We were able to expand our available credit from banks, and our commercial paper was always well received by investors. Although capital expenditures and investments in unconsolidated subsidiaries increased, working capital expanded, and the company ended the y in a stronger financial condition.

5-10-15-Year Growth Record

(000 Omitted)

5 Years

	1970	1965	Compounded Average Annual Growth Rate
Operating Revenues	**$1,509,540**	$704,544	**16.5%**
Pre-Tax Income	**150,008**	52,423	**23.3%**
Earnings Per Share	**3.36**	1.19	**23.1%**

10 Years

	1970	1960	Compounded Average Annual Growth Rate
Operating Revenues	**$1,509,540**	$509,332	**11.5%**
Pre-tax Income	**150,008**	44,578	**12.9%**
Earnings Per Share	**3.36**	0.91	**14.0%**

15 Years

	1970	1955	Compoun Average An Growth Rate
Operating Revenues	**$1,509,540**	$359,023	**10.1%**
Pre-tax Income	**150,008**	28,070	**11.8%**
Earnings Per Share	**3.36**	0.56	**12.7%**

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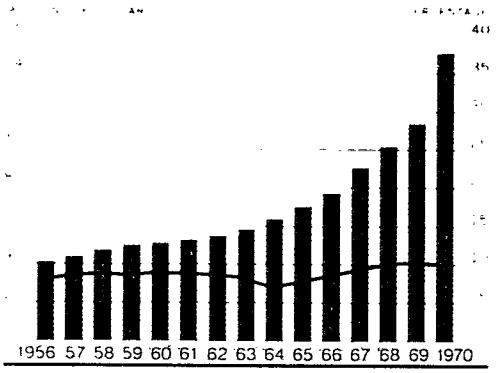
Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

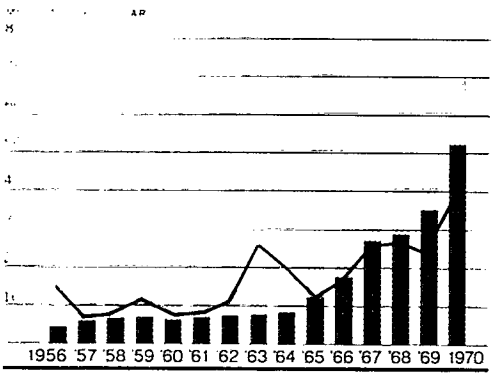
Operating Revenues ■
Pre-Tax Margins (%) —

Chart 1



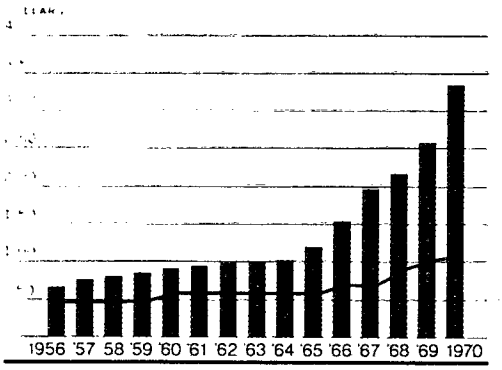
Consolidated Capital Expenditures —
Reinvested Earnings ■ Depreciation

Chart 2



Earnings per Share ■
Dividends per Share —

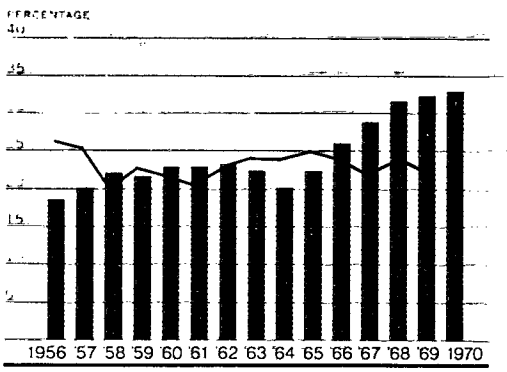
Chart 3



Pre-Tax Return on
Stockholders' Equity

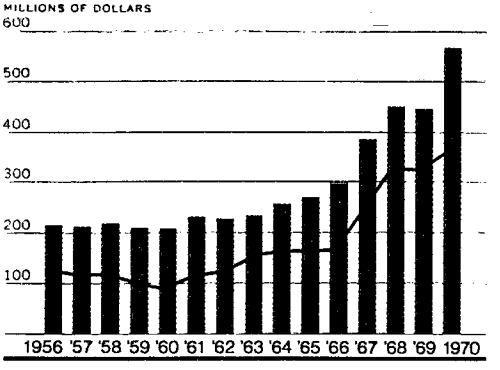
Chart 4

■ Philip Morris
— Dow Jones 30 Industrials



Total Inventories ■
Senior Debt —
(Excluding subordinated debt)

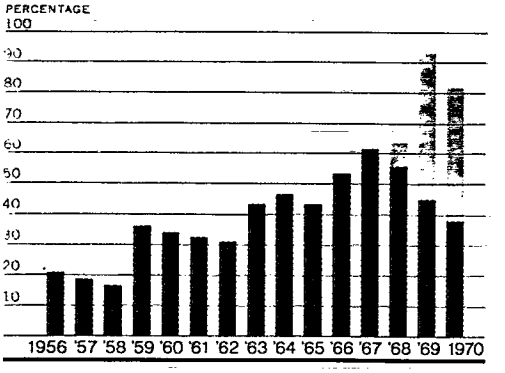
Chart 5



Long-Term Debt to Equity

Chart 6

■ Senior Long-Term Debt to Equity
▒ Subordinated Long-Term Debt to Equity



Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

Consolidated Balance Sheets Philip Morris Incorporated and Consolidated Subsidiaries
December 31, 1970 and 1969

	1970	1969
Assets:		
Cash and cash equivalents	$ 52,042,000	$ 41,885,000
Receivables	101,519,000	82,345,000
Inventories:		
Leaf tobacco	444,102,000	363,526,000
Other raw materials	39,152,000	24,543,000
Work in process and finished goods	85,174,000	59,250,000
	568,428,000	447,319,000
Prepaid expenses	6,848,000	3,439,000
Total current assets	728,837,000	574,988,000
Investments in and advances to unconsolidated subsidiaries and affiliates:		
Domestic	21,637,000	132,302,000
Foreign	67,752,000	95,589,000
	89,389,000	227,891,000
Property, plant and equipment, at cost:		
Land and land improvements	12,357,000	6,675,000
Buildings and building equipment	107,357,000	56,846,000
Machinery and equipment	274,374,000	173,441,000
	394,088,000	236,962,000
Less, accumulated depreciation	157,391,000	89,608,000
	236,697,000	147,354,000
Other assets	15,396,000	12,919,000
Brands, trademarks, patents and goodwill	169,105,000	13,337,000
	$1,239,424,000	$976,489,000

See notes to financial statements.

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Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

	1970	1969
Liabilities:		
Notes payable	$ 187,300,000	$158,400,000
Accounts payable and accrued liabilities	146,744,000	77,595,000
Federal and other income taxes	39,642,000	17,290,000
Dividends payable	7,469,000	5,832,000
Total current liabilities	381,155,000	259,117,000
Long-term debt:		
Senior	178,331,000	168,356,000
Subordinated	192,069,000	163,644,000
[illegible]erred income taxes	19,822,000	18,061,000
[illegible]erve applicable to international operations	8,618,000	5,215,000
Other, including deferred investment credit	6,580,000	6,288,000
Total liabilities	786,575,000	620,681,000
Stockholders' Equity:		
Cumulative preferred stock, par value $100 per share	25,434,000	25,765,000
Common stock, par value $1 per share	24,414,000	23,410,000
Additional paid-in capital	95,210,000	58,947,000
Earnings reinvested in the business	314,365,000	262,189,000
	459,423,000	370,311,000
Less, cost of treasury stock	6,574,000	14,503,000
	452,849,000	355,808,000
	$1,239,424,000	$976,489,000

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Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

Consolidated Statements of Earnings Philip Morris Incorporated and Consolidated Subsidiaries
for the years ended December 31, 1970 and 1969

	1970	1969
Operating revenues	**$1,509,540,000**	$1,142,373,000
Cost of sales:		
Cost of products sold	**577,106,000**	454,718,000
Federal and foreign excise taxes on products sold	**519,216,000**	373,333,000
Gross profit	**413,218,000**	314,322,000
Marketing, administration and research costs	**219,527,000**	165,591,000
	193,691,000	148,731,000
Equity in net earnings of unconsolidated subsidiaries:		
Domestic	**2,710,000**	2,693,000
Foreign	**6,779,000**	1,813,000
	9,489,000	4,506,000
Operating income of operating companies	**203,180,000**	153,237,000
Corporate expense	**15,310,000**	12,569,[illegible]
Interest expense	**35,425,000**	28,640,[illegible]
Other (income) deductions, net	**2,437,000**	(3,585,000)
Earnings before income taxes	**150,008,000**	115,613,000
Provision for federal and other income taxes:		
Current	**72,168,000**	53,379,000
Deferred	**342,000**	3,894,000
	72,510,000	57,273,000
Net earnings	**$ 77,498,000**	$ 58,340,000
Earnings per common share:		
Primary	**$3.36**	$2.58
Fully diluted	**$2.85**	$2.40

See notes to financial statements.

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Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

Consolidated Statements of Source and Application of Funds Philip Morris Incorporated and Consolidated Subsidiaries
for the years ended December 31, 1970 and 1969

[redacted]

	1970	1969
Source:		
Net earnings	**$ 77,498,000**	$ 58,340,000
Add (Deduct), items not requiring outlay of funds:		
Depreciation	**17,658,000**	13,512,000
Amortization	**958,000**	489,000
Deferred income taxes and investment credit	**342,000**	3,894,000
Equity in net earnings of unconsolidated subsidiaries	**(9,489,000)**	(4,506,000)
Dividends received from unconsolidated subsidiaries	**1,648,000**	1,356,000
Funds from operations	**88,615,000**	73,085,000
Financing:		
New long-term debt	**86,750,000**	140,000,000
Less, prepayments, and retirement of long-term debt	**4,775,000**	8,400,000
Net additional long-term debt	**81,975,000**	131,600,000
[redacted] Less, debt discount	**—**	2,603,000
Net proceeds of long-term debt	**81,975,000**	128,997,000
[redacted] Shares issued under stock options	**3,053,000**	4,911,000
Funds from financing	**85,028,000**	133,908,000
Total funds available	**$173,643,000**	$206,993,000
Application:		
Dividends	**$ 25,322,000**	$ 22,681,000
Expansion and modernization of property, plant and equipment:		
Additions	**39,595,000**	23,636,000
Disposals	**2,362,000**	662,000
Net cost of expansion and modernization	**37,233,000**	22,974,000
Investments in and advances to:		
Unconsolidated subsidiaries	**2,210,000**	27,686,000
Consolidated subsidiaries:		
Miller Brewing Company	**97,106,000**	130,000,000
Other	**13,533,000**	—
	112,849,000	157,686,000
Less working capital acquired	**33,162,000**	—
	79,687,000	157,686,000
[redacted]er, net	**(410,000)**	3,256,000
[redacted]ease in working capital	**31,811,000**	396,000
Total funds applied	**$173,643,000**	$206,993,000

See notes to financial statements.

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Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

Consolidated Statements of Stockholders' Equity Philip Morris Incorporated and Consolidated Subsidiaries
for the years ended December 31, 1970 and 1969

	Preferred Stock, Authorized and Issued at $100 Par Value	Common Stock, Authorized 50,000,000 Shares at $1 Par Value	Additional Paid-In Capital	Earnings Reinvested in the Business	Cost of Treasury Stock	Total Stockholders' Equity
Balance—January 1, 1969	$26,095,000	$23,088,000	$53,544,000	$226,530,000	($14,761,000)	$314,496,000
Net earnings for the year 1969				58,340,000		58,340,000
Cash dividends declared:						
Preferred stock—4% series				(562,000)		(562,000)
—3.90% series				(325,000)		(325,000)
Common stock—$.975 per share				(21,794,000)		(21,794,000)
4% Preferred stock purchased for treasury					(625,000)	(625,000)
Treasury common stock issued upon conversion of debentures			776,000		591,000	1,367,000
Proceeds from common stock issued under stock options		322,000	4,589,000			4,911,000
Preferred stock retired through sinking fund	(330,000)		38,000		292,000	
Balance—December 31, 1969	25,765,000	23,410,000	58,947,000	262,189,000	(14,503,000)	355,808,000
Net earnings for the year 1970				77,498,000		77,498,000
Cash dividends declared:						
Preferred stock—4% series				(545,000)		(545,000)
—3.90% series				(325,000)		(325,000)
Common stock—$1.05 per share				(24,452,000)		(24,452,000)
Preferred stock purchased for treasury					(596,000)	(596,000)
Treasury and unissued common stock issued upon conversion of debentures		827,000	33,343,000		8,238,000	42,408,000
Proceeds from common stock issued under stock options		177,000	2,876,000			3,053,000
Preferred stock retired through sinking fund	(331,000)		44,000		287,000	
Balance—December 31, 1970	$25,434,000	$24,414,000	$95,210,000	$314,365,000	($ 6,574,000)	$452,849,000

( ) Denotes deduction.
See notes to financial statements.

Report of Independent Certified Public Accountants

To the Board of Directors and Stockholders of Philip Morris Incorporated:

We have examined the consolidated balance sheet of PHILIP MORRIS INCORPORATED and Consolidated Subsidiaries as of December 31, 1970, and related consolidated statements of earnings and stockholders' equity and the consolidated statement of source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements for the year ended December 31, 1969.

In our opinion, the financial statements mentioned above present fairly the financial position of Philip Morris Incorporated and consolidated subsidiaries at December 31, 1970 and 1969, and the results of their operations and the source and application of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

New York, January 25, 1971.

Lybrand, Ross Bros. & Montgomery

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Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and all subsidiaries whose common stock is wholly-owned. Certain wholly-owned companies in the Godfrey Phillips, Limited group, included in unconsolidated subsidiaries in the 1969 financial statements while the group was being reorganized, are fully consolidated in the 1970 financial statements.

In 1969, the Company purchased approximately 53% of the capital stock of Miller Brewing Company and on July 31, 1970, acquired for $97,000,000 all of the remaining outstanding shares of Miller's capital stock. The Company's equity of 53% in the net earnings of Miller from July 1, 1969 through July 31, 1970 is shown as Equity in net earnings of Domestic unconsolidated subsidiaries in the accompanying consolidated statements of earnings; thereafter Miller's results are fully consolidated.

In addition to Miller and the Godfrey Phillips companies, three foreign subsidiaries previously unconsolidated became wholly-owned and are fully consolidated for the first time in the 1970 financial statements. Operating revenues in 1970 include $166,000,000 applicable to subsidiaries consolidated for the first time in 1970. The consolidation of these companies affected the comparability of net earnings for the years 1970 and 1969 only to a minor extent. The Company also acquired the assets and business of several small companies during 1970.

Cost in excess of net assets of Miller Brewing Company of $149,000,000 is included in brands, trademarks, patents and goodwill. The Company is not amortizing this cost because, in the opinion of management, there has been no diminution in the value of this investment.

During 1970, the Company invested $20,055,000 in convertible notes, capital stock and related options of Mission Viejo Company, a California land development company. Under the terms of the agreement, the Company will make an additional investment of $13,500,000 if the options are fully exercised, which exercise must be made in no less than three nor more than five years from December 1969. The agreement also provides for the Company to vote a majority of the stock of Mission Viejo while the options are outstanding. Exercise of all of the options and conversion of the notes would give the Company a majority interest in Mission Viejo.

The investment in Mission Viejo is included in Investments in and advances to unconsolidated domestic subsidiaries and affiliates in the accompanying December 31, 1970 balance sheet. Investments in and advances to unconsolidated subsidiaries are stated at cost adjusted for equity in undistributed earnings or losses since the dates of acquisition. Accounts of foreign subsidiaries have been translated at appropriate exchange rates.

Foreign Subsidiaries: Principal financial data for 1970 of foreign subsidiaries were as follows:

	Consolidated Subsidiaries	Unconsolidated Subsidiaries
Assets	$244,190,000	$147,446,000
Liabilities (other than due the Company)	108,298,000	53,046,000
Net assets	135,892,000	94,400,000
Company's equity	135,892,000	66,928,000
Operating revenues	345,111,000	280,806,000
Net earnings	14,147,000	10,940,000
Company's equity	14,147,000	6,779,000

Reserve Applicable to International Operations: This reserve provides for possible revaluation of investments in foreign subsidiaries which could be necessitated by governmental actions, such as currency devaluations, and for income taxes relating to undistributed earnings of foreign subsidiaries.

Inventories: Inventories are valued at the lower of cost or market. The cost of leaf tobacco is determined on an average cost basis and the cost of other inventories is determined generally on a first-in, first-out basis.

Long-Term Debt:

	December 31 1970	December 31 1969
4⅞% Sinking fund debentures, payable $2,000,000 annually (installments through 1977 will be paid with debentures purchased previously) and $12,000,000 on June 1, 1979	$ 14,580,000	$ 19,750,000
4.90% Notes, payable $2,600,000 annually from 1974 to 1988 and $16,000,000 on November 1, 1989	55,000,000	55,000,000
6⅝% Sinking fund debentures, payable $3,500,000 annually from 1976 to 1992 and $15,500,000 on October 15, 1993	75,000,000	75,000,000
75,000,000 Eurodollar revolving credit maturing $25,000,000 on March 1, 1973 and $50,000,000 on March 1, 1974. Interest on current notes is 7¾% to 12¼%	29,750,000	15,000,000
Other notes and debentures	4,201,000	3,906,000
	178,531,000	168,656,000
Less, amount included in current liabilities	200,000	300,000
Senior debt	$178,331,000	$168,356,000
10% Subordinated Notes, payable $3,600,000 annually from 1974 to 1976 and $5,760,000 annually from 1977 to 1981 and $32,400,000 on August 1, 1982. Callable in three years at no premium	$ 72,000,000	—
6% Convertible Subordinated Debentures, payable $4,000,000 annually from 1980 to 1993 and $44,000,000 on September 1, 1994. The remaining debentures are convertible at $27.75 per share into 2,924,396 shares of common stock of the Company subject to adjustment under certain conditions. Of the original issue of $100,000,000, $18,848,000 have been converted into 679,167 common shares through December 31, 1970	81,152,000	$100,000,000
4½% Subordinated Guaranteed (by Philip Morris Incorporated) Debentures of Philip Morris International Finance Corporation, payable $1,100,000 annually from 1979 to 1987 and $15,100,000 on August 1, 1988. The remaining debentures are convertible at $31.86 per share into 254,143 shares of common stock of the Parent company subject to adjustment under certain conditions. Of the original issue of $25,000,000, $16,903,000 have been converted into 530,406 common shares through December 31, 1970	8,097,000	23,646,000
4¾% Subordinated Guaranteed (by Philip Morris Incorporated) Debentures of Philip Morris International Finance Corporation, payable $1,750,000 annually from 1980 to 1988 and $24,250,000 on January 1, 1989. The remaining debentures are convertible at $36.19 per share into 851,616 shares of common stock of the Parent company subject to adjustment under certain conditions. Of the original issue of $40,000,000, $9,180,000 have been converted into 253,579 common shares through December 31, 1970	30,820,000	39,998,000
Subordinated debt	$192,069,000	$163,644,000

Generally, the long-term debt is callable, at annually decreasing premiums. The sinking fund requirements of the convertible debentures may be satisfied by the amount of debentures converted.

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Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

Fifteen Year Financial Review

(In thousands except last eight items)

Philip Morris Incorporated and Consolidated Subsidiaries

Capital Shares:

	December 31 1970	1969
Preferred, 4% Series:		
Authorized and issued	149,872	151,871
In treasury	18,956	12,855
Outstanding	130,916	139,016
Preferred, 3.90% Series:		
Authorized and issued	104,470	105,777
In treasury	23,705	22,302
Outstanding	80,765	83,475
Common, $1 par value:		
Authorized	50,000,000	50,000,000
Issued	24,413,807	23,410,400
In treasury	254,967	845,066
Outstanding	24,158,840	22,565,334

The Company is required to set aside annually in sinking funds, amounts sufficient to redeem 1,999 shares of preferred stock, 4% Series, at $105.50 per share and 1,307 shares of 3.90% Series at $100.75 per share. Shares held in treasury at December 31, 1970 are sufficient to fulfill sinking fund requirements for the ensuing year. During the year, 10,810 shares of the preferred stock were acquired for the treasury.

The preferred stock is redeemable at any time, otherwise than through sinking funds, at $105.50 per share plus accrued dividends for 4% Series and at $100.75 per share plus accrued dividends for 3.90% Series.

During 1970, 593,463 shares of treasury common stock and 827,145 unissued shares were issued upon conversion of convertible subordinated debentures.

Stock Options: Pursuant to stock option plans approved by stockholders, common stock of the Company has been made available for option to officers and other key employees at market prices on the dates granted.

	1970	1969
Shares under option, beginning of year	513,647	710,174
Options granted	109,000	135,750
Options exercised	(176,262)	(322,482)
Options canceled	(3,674)	(9,795)
Shares under option, end of year	442,711*	513,647
Shares available for option, end of year	182,187	287,587

*At prices ranging from $11.50 to $47.75.

Dividend Restrictions: Certain of the agreements covering long-term debt and preferred stock contain restrictions with respect to the payment of dividends (other than stock dividends) on common stock and to the purchase, redemption or retirement of capital shares. At December 31, 1970 approximately $152,000,000 of consolidated earnings reinvested in the business was free of such restrictions.

Earnings per Share: Primary earnings per common share is calculated on the weighted average number of shares of common stock outstanding during each year, which was 22,806,598 in 1970 and 22,269,461 in 1969.

Fully diluted earnings per common share gives effect to the reduction in earnings per share which would result from the conversion of all outstanding convertible securities and the exercise of stock options. Convertible securities were assumed to have been converted from dates of issue and net earnings were adjusted for related interest net of its tax benefit. Funds assumed to have been received from exercise of stock options were assumed to have been used to acquire shares for the treasury at the higher of the average market price during the periods or the market price at the close of the periods. The number of shares of common stock used in this computation was 28,298,283 for 1970 and 24,779,306 for 1969.

Depreciation: Depreciation for book purposes is determined on a straight-line basis over the estimated useful lives of the depreciable property, plant and equipment. The provisions for depreciation included in the consolidated statements of earnings were $17,658,000 for the year 1970 and $13,512,000 for the year 1969.

Federal and Other Income Taxes: Deferred federal and foreign income taxes have been provided in recognition of timing differences in reporting certain items of income and expense, including depreciation, for financial statement and tax purposes.

Pension Plans: The Company and certain of its consolidated subsidiaries have pension plans covering substantially all of their employees. The total pension expense for the years 1970 and 1969, respectively, was $8,250,000 and $5,850,000, which includes amortization of prior service cost over a period of 30 years. The Company's policy is to fund accrued pension cost.

	1970	1969
Operating Revenues	$1,509,540	1,142,373
Federal Excise Taxes	372,092	319,086
Foreign Excise Taxes	147,124	54,247
Earnings Before Income Taxes	150,008	115,613
Pre-Tax Profit Margins	9.9%	10.1%
Net Earnings	77,498	58,340
Dividends Declared: Common	24,452	21,794
Dividends Declared: Preferred	870	887
Net Earnings Reinvested	52,176	35,659
% of Net Earnings Reinvested	67.3%	61.1%
Capital Expenditures	39,595	23,636
Annual Depreciation	17,658	13,512
Property, Plant & Equipment (Gross)	394,088	236
Property, Plant & Equipment (Net)	236,697	147
Inventories	568,428	447,319
Current Assets	728,837	574,988
Working Capital	347,682	315,871
Total Assets	1,239,424	976,489
Short-Term Debt	187,100	158,100
Senior Long-Term Debt	178,500	168,700
Subordinated Long-Term Debt	192,100	163,600
Total Debt	557,700	490,400
Stockholders' Equity	452,849	355,808
No. of Common Shares—Actual	24,158,840	22,565,334
No. of Common Shares—Weighted Average	22,806,598	22,269,461
Primary Earnings Per Common Share	$3.36	2.58
Fully Diluted Earnings Per Common Share	2.85	2.40
Dividend Declared Per Common Share	1.05	.98
Book Value Per Common Share	17.87	14.78
Market Price of Common Share High-Low	50¼-28	36⅜-25⅛
Closing Price 12/31	49½	35¾

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Source: https://www.industrydocuments.ucsf.edu/docs/nmfl0000

1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956
1,019,846	904,841	771,975	704,544	641,439	585,059	550,624	529,127	509,332	499,598	473,552	439,920	410,263
295,903	271,073	234,975	214,128	194,312	193,768	187,133	184,146	175,947	168,608	163,023	151,646	144,165
41,841	39,658	30,057	27,780	22,462	8,276	3,785	—	—	—	—	—	—
100,107	81,317	65,144	52,423	44,466	46,729	47,464	45,985	44,578	41,159	39,854	35,740	31,781
9.8%	9.0%	8.4%	7.4%	6.9%	8.0%	8.6%	8.7%	8.8%	8.2%	8.4%	8.1%	7.7%
48,866	43,601	34,183	26,509	22,614	22,052	21,946	21,511	20,984	19,590	18,705	17,441	15,544
18,755	15,226	15,101	12,896	12,867	12,855	13,046	13,212	13,085	11,140	10,467	10,017	9,516
922	922	923	943	953	953	953	970	1,011	1,024	1,037	1,039	1,041
29,189	27,453	18,159	12,670	8,794	8,244	7,947	7,329	6,888	7,426	7,201	6,385	4,987
60.0%	63.0%	53.1%	47.8%	38.9%	37.4%	36.2%	34.1%	32.8%	37.9%	38.5%	36.6%	32.1%
26,373	25,688	17,089	12,078	19,366	26,243	11,843	8,733	7,300	12,380	8,580	8,337	13,830
12,139	10,903	9,532	8,857	8,316	6,765	6,293	5,638	5,362	4,932	4,981	4,472	3,872
[redacted]346	193,656	172,593	159,759	153,224	139,595	110,204	99,066	93,641	90,050	80,906	74,009	68,464
[redacted]704	123,555	110,157	104,044	102,417	93,150	68,664	61,560	59,960	59,655	53,444	51,024	48,717
[redacted]922	386,576	297,761	271,823	257,256	235,375	228,088	232,541	209,326	210,967	219,744	213,209	215,188
561,685	485,908	372,895	339,082	318,978	297,295	279,068	277,350	249,819	252,239	271,658	263,210	263,152
312,406	306,172	253,257	213,826	202,810	190,982	179,222	190,859	190,423	187,404	150,103	149,063	148,144
786,578	648,994	512,549	466,277	443,438	412,543	365,024	351,018	321,717	321,620	333,489	327,224	324,927
153,800	82,600	27,200	57,300	56,700	53,800	57,400	45,200	21,000	30,000	89,400	84,200	85,200
176,000	173,800	133,800	100,800	102,300	91,400	63,400	65,400	67,400	69,100	30,600	33,700	36,500
25,000	—	—	—	—	—	—	—	—	—	—	—	—
354,800	256,400	161,000	158,100	159,000	145,200	120,800	110,600	88,400	99,100	120,000	117,900	121,700
314,496	280,186	249,821	230,677	217,783	208,711	201,720	199,685	195,956	189,317	181,352	179,352	167,518
22,200,308	21,830,874	21,613,344	21,521,730	21,458,478	21,429,444	21,526,428	21,972,954	22,029,792	21,937,686	21,774,654	21,728,070	21,728,070
21,928,890	21,674,884											
2.18	1.97	1.54	1.19	1.01	.99	.98	.94	.91	.85	.81	.76	.67
2.14	1.94	1.54	1.19	1.01	.99	.98	.94	.91	.85	.81	.76	.67
.85	.70	.70	.60	.60	.60	.60	.60	.60	.52	.50	.50	.50
13.12	11.77	10.48	9.63	9.03	8.62	8.25	7.99	7.74	7.47	7.13	7.05	6.78
34¼-22	28¾-15¾	17⅞-12¼	16⅛-12⅛	14⅛-11¼	15-11⅛	18¾-10⅛	20⅞-13	13½-10	10⅞-9	10¼-8⅞	7⅝-6⅜	7⅞-6½
32	22¼	17	14¾	12¼	12⅜	12¼	18⅜	13⅜	10⅜	10¼	7⅛	7

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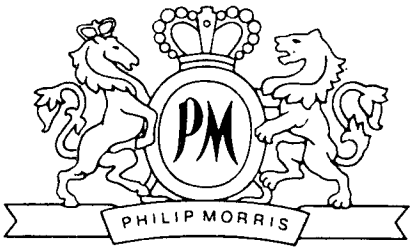

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